

Research report

High Income Child Benefit Charge (HICBC)

Quantitative research to test communication
products and website

Prepared by Holden Pearmain for Her Majesty's Revenue and Customs

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High Income Child Benefit Charge – testing of comms products

About this paper

This research report has been written by Holden Pearmain based on research carried out in August 2012. The views and findings are the authors' own and do not necessarily reflect those of HM Revenue & Customs (HMRC). The communication products tested in this research were early drafts, not final version, and work continued on the development of these products after this research was completed.

Further information on the introduction of the High Income Child Benefit Charge can be found at www.hmrc.gov.uk/childbenefitcharge

About Personal Tax Customer & Strategy (PT C&S)

Personal Tax Customer & Strategy works with colleagues in Personal Tax and across HMRC to help develop our approach to implementing the customer centric business strategy. We use customer insight to help PT design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- ensure that those who need help get the support they need, when they need it

PT C&S also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC

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Research requirement (background to the project)

Legislation was introduced in Finance Act 2012 that brought in a new charge, the High Income Child Benefit Charge, on a taxpayer who has an adjusted net income over £50,000 in a tax year, where either they or their partner is in receipt of Child Benefit. These changes came into effect on the 7 January 2013. If both partners have adjusted net income over £50,000, the partner with the higher income is liable for the charge.

As part of the changes, Child Benefit customers can make an election not to receive the Child Benefit payments that they are entitled to. If they choose to stop receiving payments this removes the requirement to notify HMRC of chargeability and the individual is not liable for the charge.

This research sought to evaluate four main elements connected with the new High Income Child Benefit Charge, with the research split into two phases, as follows:

Phase I - Child Benefit Claim Form and Note Pages

The **Child Benefit Claim Form** (revised product for Oct 2012) - this was updated to include information on the changes and additional fields relating to HICBC and the option to opt out of receiving Child Benefit. The claimant was asked whether they or their partner had income over £50,000. If the claimant answered 'yes' to this question they were directed to a further question to find out whether they wished to receive Child Benefit payments.

The **Notes Pages** that accompany the Child Benefit Claim Form (revised product for Oct 2012). These pages were updated versions to include information on the HICBC and the option to elect not to receive Child Benefit payments.

Phase II - Awareness Letters and core Website Structure

Awareness Letters to Taxpayers. There were two proposed letters – one for PAYE only customers, and one for Self Assessment and SA/PAYE dual customers. The intended purpose of these letters was to raise awareness of the changes and signpost customers who are impacted to further information, to enable them to comply with their obligations.

Website Structure (high level outline of the new content for Child Benefit customers, taxpayers and agents on the website). This included the main headings under which the information is provided.

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When the research took place

The data was collected and reported in two phases:

Phase I - Child Benefit Claim Form and Note Pages evaluation

Interviews were conducted between 20th June and 5th July 2012 and the findings were reported in July 2012.

Phase II - Awareness Letters and core Website Structure evaluation

Interviews were conducted between 11th and 23rd July 2012 and the findings were reported in August 2012.

Who did the work (research agency)

Holden Pearmain completed the research using the Communication:Lab platform which is an online panel method.

Method, Data and Tools used, Sample

A self-completion online survey was sent to respondents who fulfilled the eligibility for each phase, as follows

Phase I - Child Benefit Claim Form and Note Pages evaluation

All respondents were aged 18 and over, with either children aged 5 years or younger, or expecting a baby. In addition quotas were set on personal income to ensure adequate numbers of interviews in the bands <£50,000, £50,000-£59,999 and £60,000 plus. At this phase a total sample size of 468 respondents was achieved.

Phase II - Awareness Letters and core Website Structure evaluation

All respondents had to earn at least £50,000, and were split between those who had children aged 5 years or younger, and those who were expecting a baby. In addition the sample was split between those who would receive the PAYE letter and those who would receive the SA version. At this phase a total sample size of 961 respondents was achieved, split between 483 seeing the PAYE letter and 465 seeing the SA version.

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Main Findings – Phase I

Understanding the Child Benefit Claim Form



As part of the hotspots survey task, respondents were presented with an online version of the paper Child Benefit Claim Form as well as fictional information that they were asked to use when completing the form. During this process they could also access the notes, if needed, to seek clarification. Having completed the form, respondents were then asked to click on any parts of the form that they found confusing or that were not completely clear.

One third of respondents (33%) indicated that at least one element of the form was confusing or unclear. Although no benchmark exists for form tests specifically, the 67% of respondents who found none of the areas confusing is broadly comparable to the current norm for letter tests completed using the Communication:Lab methodology (71%).

There is, however, a significant minority of people (particularly amongst those earning over £50,000) who found several parts of the form confusing, with 12% finding three or more areas confusing (compared to a norm around just 6% for most other letter based studies). It should be remembered though that this figure also partly reflects the greater number of potential areas for confusion on a form (80 in this case) compared with a far shorter letter document (typically closer to 20).

There were two areas on the Child Benefit Claim Form that were highlighted as areas causing the most confusion amongst respondents Q63 and Q62.

Q63 - Do you want to be paid Child Benefit?

The 'error rate' at Q63 was relatively high, with 9% of those who were instructed to choose to be paid, stating they would opt out, while as many as 32% of those two who were instructed to claim, chose not to be paid, still opting to receive Child Benefit.

The levels of confusion expressed were moderate, with three-fifths of those who were confused only vaguely understanding it or not understanding it at all, but on balance feeling that they probably understood it, perhaps wanting some further explanation. The main areas of confusion related to phraseology, or a lack of certainty about what information to provide or what to do. Meanwhile, 30% of those confused by this question would refer to the notes pages and 22% to the website, with only 8% who felt they would phone HMRC (15%), equating to 1% of the overall sample. Confusion at this question was greatest amongst those earning over £50,000.

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Q62 - Do you or your partner, if you have one, have income of more than £50,000?

For Q62, confusion was primarily reported amongst those earning below £50,000 (12%), rather than amongst those earning over £50,000 (3%). The main areas of confusion were around whether the changes applied to joint or single incomes, or general comments relating to confusing phraseology, or a lack of certainty about what information to provide or what to do.

Impact and Performance of the Child Benefit Claim Form

In addition to marking any areas of confusion on the Claim Form itself, respondents were also asked to rate the form on a number of dimensions. For the majority, the Claim Form was seen to have taken the right tone, was visually clear and was easy to read – but less visually appealing. Most respondents appeared happy to provide the information requested in the form and understood what action they needed to take.

Overall, respondents report that the Claim Form had a positive or neutral impact on their perception of HMRC and the vast majority found the form to be effective in the way it collected information. However, a slightly more negative impact on perceptions of HMRC was seen for the highest earners, and significantly so for those who noted three or more areas of confusion.

Visual appeal and being seen as *straightforward* and *well structured* were the main drivers of an improved perception of HMRC. While being *well structured*, *straightforward* and *easy to follow* were the main drivers of the perception that this was an effective method of information collection, together with the tone of the communication being seen as appropriate.

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Understanding the Notes pages



After completing the Claim Form and referring to the Notes pages as needed, respondents were then asked to read through the Notes pages and, as with the form, to mark any areas they found confusing or unclear.

On the first notes page, four areas caused confusion for a significant minority of respondents. While there were no noteworthy differences between income groups, respondents who were living with their partners, and not married, showed higher confusion scores in relation to the first paragraph.

In overall terms just over three-fifths of the sample found the first section of the Notes pages clear in terms of explaining who will be affected by the changes, but 31% felt they would probably be able to work it out, and 6% felt it was not clear. Taking these latter two groups, although 41% would visit the HMRC website, as many as 31% felt they would phone HMRC to see if they/their partner were affected.

A longer, second notes section was then presented to respondents. After reading all the relevant content, respondents felt that they generally understood the main principles communicated. There were however some high disagreement scores, particularly for understanding how exactly the extra tax charge will be collected, as well as in terms of understanding the benefits of completing the Claim Form, even if you do not opt to receive any money.

While respondents may have referred to the Notes pages, if anything was still unclear, they were likely to contact HMRC by phone (22% of total sample) or refer to the website for more information.

Further work was required to minimise confusion on the highlighted sections of the Claim Form and accompanying Notes pages.

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Opting In or Out

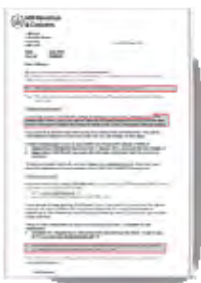
Having seen both the Claim Form and the Notes, respondents earning between £50,000 and £60,000 were shown a number of different tax repayment values (ranging from repaying 20% to 100% of the Child Benefit received) and asked if they would be likely to opt in or out of receiving Child Benefit.

At the 20% rate of repayment, where someone was earning £52,000, 12%-16% would choose to opt out. This value doubled at a repayment rate of 60% of the benefit received and went up only a little (to 38% who would opt out) at 80% repayment of Child Benefit. Approximately 23% of respondents with one or two children would still opt in, even if they were repaying 100% of their Child Benefit.

Those respondents earning £60,000 or more, who would repay all of their Child Benefit, were also asked if they would opt in or out of receiving the payment. In total 45% would opt out.

Verbatim comments surrounding opting out indicate that some respondents still did not understand the full implications of the High Income Child Benefit Charge, even after detailed notes pages and explanations were presented to them.

Main Findings – Phase II



Understanding the Letter

In the second phase of the research, a separate sample of 961 respondents were shown the awareness letters. The sample was split into those who were solely PAYE customers and those who were Self Assessment (or joint SA/PAYE), with each sub-sample being shown the appropriate PAYE or SA letter variant. All respondents recruited earned £50,000 a year or more, and each sub-sample, was split between those with and those without children.

Once again respondents were asked to read the letter, first highlighting any areas they found confusing, and then, subsequently, any areas they found helpful.

In total 72% of respondents found nothing unclear or confusing about the letter. This level was consistent for both variants of the letter (PAYE and SA), and respondents without children showed significantly less confusion.

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Actions Respondents Would Take

For those confused by Area 7 [If you receive an amount equivalent to the Child Benefit from someone else, who claims Child Benefit in respect of a child who lives with you, the charge will also apply] almost a third (31%) felt they would contact HMRC, split evenly between those who would phone (15%) and those who would write (16%). For those confused by Area 14 [If you decide to keep getting Child Benefit, you or your partner (whoever has the highest income), will have to declare the Child Benefit payments for income tax purposes on their annual tax return.], almost a third of this sub-group (31%) stated that they would phone HMRC, and a further 9% would write.

Across the sample overall, a third of respondents with children claimed that they would visit the website for more information (38%) and/or discuss the letter with their partner (35%).

The vast majority of respondents without children stated that they had quickly established that the letter was not relevant to them (92%).

Almost half of those with children claimed that they would contact HMRC directly in writing or by phone, and 20% of those without children also felt they would contact HMRC (though this may be them reporting what they would do if and when they have children).

Impact and Performance of the Child Benefit Letter

The main purpose of the two letter variants was seen as being to *educate* and *instruct*. Most respondents felt certain that they understood the purpose of the letters, but 1 in 10 did claim to be unsure.

The vast majority of respondents felt the letters were effective in communicating their message, though the SA letter attracted slightly more criticism, as just over 1 in 10 people who saw it felt it was ineffective (12%).

As the previous Child Benefit Claim Form research had highlighted confusion about joint and single incomes, the letters were re-designed to communicate this point more clearly. Respondents were therefore asked specifically about how clearly they felt that the letters explained this issue. The combined agreement score (*strongly agree* and *slightly agree*) was high (70%) and the disagreement scores was low (11%), indicating that the letters succeeded in communicating this issue more clearly.

Close to three-quarters of respondents felt each letter left them confident that they understood what it was telling them, and specifically, that they understood the purpose, what actions they would have to take. Agreement that the letters had a friendly tone, were visually appealing, or were written just for them, was more qualified at under half the sample in each case.

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Understanding the Website



The website section of the questionnaire measured the ease of identifying the correct navigation headings to find specific information, as laid out in a series of tasks. Often, less than half of respondents looked in the correct place straight away for the required information, or even after a second attempt.

The first navigation heading “An introduction to the High Income Child Benefit Charge” was often considered as the correct place to go as it was seen to contain a summary of everything. Some respondents wanted to start at the beginning, given their lack of understanding, irrespective of the task we set them.

While the navigation links were not rated very poorly on statements such as *having easy to understand wording/terminology* or the *content being grouped logically*, agreement was not very strong, with relatively low *strongly agree* percentages.

Overall, up to a fifth expressed some criticism, with the weakest statement being that the *headings covered clearly defined areas of content* (22% disagreement), followed then by *the wording and terminology being easy to understand* (17% disagreement) and the *number of headings on the landing page being about right* (16% disagreement), generating verbatim comments along the lines of “Too many titles have very similar sounding themes”.

As a result, some reduction in the number of headers, expressed with greater clarity and with less apparent overlap between topics is recommended for the Website.

Opting In or Out

Finally, respondents earning £50,000 to £59,999 were presented with a relevant scenario and asked whether they would opt in or opt out of receiving Child Benefit in that situation. Each respondent was presented with a randomised set of five income and consequent repayment levels, with the repayment value also dependent on how many children the respondent had.

In total, a quarter (25%) of respondents earning between £50,000 and £60,000 with one child claimed they would be likely to opt out of receiving Child Benefit if they had to repay a value of 20% (the amount of the charge for someone earning £52,000). While for parents with two children, just 10% claimed they would opt out at 20% repayment level.

Over two-fifths (44%) of those respondents earning £60,000 or more, claimed they would opt out of receiving the payment. This value is highly comparable to the claimed opt out level found in Phase 1 based on the Child Benefits Form test (45%).

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Those respondents who are likely to have to pay the charge themselves, because their partner earns below £50,000, are more likely to opt out of receiving Child Benefit so they can avoid the charge.

Those respondents currently in Self Assessment were also more likely to opt out of receiving Child Benefit, reflecting the fact that as a group they were more likely to have partners who earn below £50,000 (60% of respondents) and that they would therefore have to pay the charge themselves.