



HM Revenue
& Customs

Research report 557

Supporting customers to pay their tax on time

Qualitative research to understand customer responses to upstream debt prevention options

August 2018

Disclaimer: The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2019

Copyright in the material, typographical arrangement and design rests with the Crown. This publication may be re-used free of charge in any format or medium, and provided that it is reproduced accurately and not used in misleading context, under the terms of the Open Government Licence (OGL) www.nationalarchives.gov.uk/doc/open-government-licence/version/3/. The material must be acknowledged with the title and source of the publication specified.

Published by HM Revenue and Customs, September 2019
www.hmrc.gov.uk

Contents

Supporting customers to pay their tax on time	1
1. Executive Summary.....	5
2. Research requirement	6
2.1 When and where the research took place.....	7
2.2 Who conducted the research	7
2.3 Method, sample and third-party interviews.....	7
2.4 Glossary of key terms	8
3. Customer mindset	8
3.1 The Self Assessment Customer.....	8
3.2 Reasons for not meeting their tax obligations	9
4. Customer responses to support options	10
4.1 Experiences of Time to Pay agreements	10
4.2 Awareness of existing support options.....	10
4.3 Design principles for support options	10
5. Responses to the Ready Reckoner	12
5.1 Customer views and use.....	12
5.2 Areas for development.....	13
5.3 View of third parties	13
6. Responses to the Budget Payment Plan	13
6.1 Customer views and use.....	13
6.2 Areas for development.....	15
6.3 View of third parties	15
7. Other Support options.....	15
7.1 YouTube videos.....	15
7.2 Making Tax Digital	16
7.3 Self Assessment Letter	17
7.4 Aggregated view of penalties	18

7.5 Content strategy	19
8. Role of debt management and advice organisations	19
8.1 Awareness of third party debt management and advice organisations	19
8.2 Customer use of third party debt management and advice organisations.....	19
8.3 Awareness and views of HMRC support among third party parties....	20
9. Communicating the offer.....	20
9.1 Timing around communicating each support option.....	20
9.2 Channels of communication.....	22

1. Executive Summary

- Customers had very little or no awareness of the support options that HMRC currently offer. For those who were aware of the Budget Payment Plan¹ or Ready Reckoner², they were not aware of them by name. This was, in part, due to customers' low motivation to actively seek out information about tax and associated support options from HMRC. However, customers would like HMRC to more actively communicate these support options to them. This was broadly reflected by third party organisations who had similarly low levels of awareness of the support options.
- Across all of the support options tested, three key design principles were identified as desirable and effective for promoting use. These were simplicity, flexibility and accessibility. These were viewed as necessary for support options to help customers who had varied backgrounds such as varying frequency of income, irregular working patterns, responsibility for dependants and illness or bereavements. These principles were also key to those who generally lacked knowledge about tax.
- Customers expressed a desire for all communications and support options to be written in plain English and for business and tax terminology to be defined and explained in a straightforward manner. For example, in the support options tested customers wanted definitions included for relatively basic terms such as profit and turnover.
- The Ready Reckoner was the most positively received support option tested with customers during the research. The amount of tax they would owe was a key question for customers and low awareness of this was a barrier to being able to budget effectively. Customers saw this as a useful tool to help resolve that issue. They felt that using the Ready Reckoner would improve their likelihood of meeting their tax obligations and reduce the stress and worry of dealing with their tax. This tool would be particularly useful for customers with irregular income who could use it to calculate how much tax they should set aside from lump sum payments throughout the year.
- Customers spontaneously requested a support option like the Budget Payment Plan and responded positively when presented with the option. Customers demonstrated a strong preference to pay their tax in instalments, rather than in one large bill. They felt this tool facilitated this and enabled them to budget more effectively by removing the option of them dipping into their tax savings throughout the year. The main suggestion

¹ The Budget Payment Plan is a tool through which customers can pay regular amounts towards their tax obligations in advance using Direct Debit.

² The Ready Reckoner is an online calculator where customers can estimate how much tax they will owe by entering their turnover, profit and expenses.

- for improvement was to allow customers the flexibility to make their pre-emptive payments either via a direct debt or on an ad hoc basis if their situation required.
- Of the other support options tested, customers were most positive about YouTube videos or tutorials. This matched customers' existing habits of learning about how to carry out tasks via video tutorials on YouTube. There was a preference for videos to be short and succinct, focusing on key information. This concept was popular among all age groups and particularly the more digitally confident customers.
- The third party organisations interviewed explained that customers typically only contacted them after exhausting alternative options and once debts had become a significant problem. Third parties typically did not have a close relationship with HMRC in this area but were very open to developing one. There was low awareness of HMRC support options among third parties but they were keen to understand more about them and suggested more information sharing exercises could be mutually beneficial.
- Customers had little trust in third parties as they assumed their primary motivation was making profit from their clients. They felt that HMRC or their accountant would always be their first port of call for tax related matters and they were happy with this arrangement. Customers also verified the view that they would only turn to third parties if they had exhausted other options and had problematic debts.
- Regarding how support options should be communicated, customers wanted to receive information on them as early as possible in the tax year. However, they also felt it would be useful to receive prompts and reminders throughout the year around the time of key tax deadlines. Customers also demonstrated a preference for receiving information via multiple channels, particularly post and email, to ensure that they understood the importance of the message and had a digital copy to refer back to.

2. Research requirement

The objective of this research was to identify, develop and test support options that could help to prevent debt amongst HMRC Self Assessment customers by supporting them to pay their tax on time. Organisations which provide support on debt management were also interviewed to understand why customers seek support from these organisations and get their views on helping people meet their tax obligations. The research explored why Self Assessment customers fall behind on their tax payments and examined their opinions on current and potential support options that might help them meet their tax obligations in the future, aiming to understand:

- Customer responses to the Budget Payment Plan.
- Customer awareness of the Budget Payment Plan and the role it could play in financial resilience.
- Views on support tools designed to help Self Assessment customers meet their tax obligations on time.

- How the support tools may impact the financial capability of Self Assessment customers.
- Customer awareness of third party debt management and support organisations.
- Why customers seek this support, and the role of third parties in helping people meet their tax obligations.

2.1 When and where the research took place

Research was conducted between April and July 2018 and fieldwork took place between the 16th May and 28th June 2018.

2.2 Who conducted the research

The research was undertaken by the Employment, Welfare and Skills (EWS) team within Ipsos MORI's Social Research Institute.

2.3 Method, sample and third-party interviews

2.3.1 Customer interviews

A total of 40 qualitative in-depth interviews were conducted with HMRC customers: 18 face-to-face and 22 telephone depth discussions. Interviews lasted for approximately one hour and were conducted by members of the Ipsos MORI research team. A purposive sampling approach was adopted, whereby key criteria were set and participants were recruited according to these using a screening document, with all participants being recruited by specialist recruiters.

The quotas and achieved interviews for Self Assessment HMRC customers were as follows:

Primary quotas for 40 in-depth interviews		
Tax Debt Management Group	Group One	Current Time to Pay customers
	Group Two	Customers who had recently finished a TTP
	Group Three	Customers who had used a TTP agreement and not re-entered debt management
	Group Four	Customers who had used a Budget Payment Plan

Secondary quotas were also set on: age, gender, Self Assessment debt level, level of Self Assessment experience, frequency of using Time to Pay agreements, types of debt, use of an accountant, use of third party debt support organisation, tax credit claimants, level of digital confidence.

2.3.2 Third party debt management and support organisation interviews

Six organisations which provide debt management and support party were interviewed via telephone.

2.4 Glossary of key terms

Term	Definition
Aggregated view of penalties	A breakdown of how charges and interest for late filing or payment accumulate over time, including examples and case studies.
Budget Payment Plan	A tool through which customers can pay regular amounts towards their tax obligations in advance using Direct Debit.
Content Strategy	Gives customers an overview of their tax obligations based on their business operations.
Making Tax Digital	A Government initiative working towards a digital tax system, with the goal of making it easier for customers to get their tax right and keep on top of their affairs.
Ready Reckoner	An online calculator where customers can estimate how much tax they will owe by entering their turnover, profit and expenses. Two versions were tested, one providing an estimate for an annual tax bill and another which provided weekly and monthly options.
Self Assessment letter	A letter sent to Self Assessment customers when they first register for the regime with HMRC; This outlines their obligations, with specific timings around Self Assessment.
Time to Pay	An arrangement where customers payed their outstanding HMRC tax bill for a previous tax year through instalments. Not tested as part of the research.

3. Customer mindset

3.1 The Self Assessment Customer

Customers in this sample had moved into self-employment because of the flexibility and autonomy they felt it offered. This attitude meant that customers were not always likely to work throughout the year or have a regular monthly income, as they took time off for extended holidays or to look after children. This desire for flexibility and autonomy made it harder for customers to fit into a routine for tax management.

Customers did not view themselves as a business and were closer in attitude to Pay As You Earn customers than businesses. Management of taxes was a much lower priority than making sure they had an income. Because of this, these customers demonstrated low inclination to look for key information about tax, such as thresholds or National Insurance Contribution rates which meant they were ill-informed about their responsibilities. However, despite low engagement with tax, all customers recognised the need to pay their tax and saw it as important to do so.

Within the sample there were a wide range of occupation types and frequencies of income. Customers who had a regular monthly income were able to budget and plan monthly for their tax obligations. Those with a fluctuating income needed more flexibility in the tax system to help them meet their obligations on time.

3.2 Reasons for not meeting their tax obligations

Within the sample for this research there were three broad types of customers who had not been able to meet their tax obligations on time:

- **Low awareness:** These customers lacked knowledge and understanding of their tax obligations. They broadly understood their obligations for filing and paying their tax but they were uncertain of the details of how much they were likely to owe and when it would be due. Reasons for failing to meet their tax obligations included being unaware of the relevant deadlines, not knowing how much to budget for their tax and in some cases being entirely unaware they had to pay tax on their income. This experience was more common amongst customers who were new to Self Assessment. These customers were also likely to have received poor advice from accountants, for example on the amount of tax they owed or when they need to declare changes in their circumstances to HMRC.

"I just never expected such a big tax bill at the time." Group 3, Male, Age 50+

- **Disorganised customers:** This group had greater awareness of their obligations and knew they should be setting aside money for their tax bill. However, they had failed to do so in time, or had dipped in to the money they had set aside, believing they would be able to pay their tax by the time it was due. This group were heavily reliant on accountants and would avoid engaging in their tax affairs if they could.

"I'm not organised, I would like it if they just said to me 'you have to pay this much every month'", Group 4, Female, Age 50+

- **Struggling customers:** These customers tended to have had multiple Time to Pay agreements in the past. They were balancing multiple debts or a very low or irregular income and were also more likely to be experiencing significant life events including bereavement or a significant reduction in their business' earning capacity, such as the closure of a key client. They either found it challenging to save money for their tax or felt that they had to use it to meet other obligations out of necessity.

"When the bill came in it was a shock to the system, and obviously with three children I didn't have that money laying around.", Group 2, Female, Age 36-49

4. Customer responses to support options

4.1 Experiences of Time to Pay agreements

Customers were positive about their experience of using a Time to Pay arrangement. They recognised that paying their tax was important and had found the experience of not being able to meet their obligations stressful.

When HMRC agreed a Time to Pay arrangement, customers felt relieved that there was an option to pay their debt back in manageable monthly instalments. Giving customers this option reflected well on HMRC and customers who had a good experience with the HMRC colleague who arranged the Time to Pay were particularly positive about their experience. In contrast, customers found it frustrating when they felt that the advisor offered them a Time to Pay arrangement as a last resort or demonstrated reluctance to do so.

"I wasn't aware that they made payment plans or anything until I phoned them but I found it really beneficial." Group 2, Female, Age 18-35

4.2 Awareness of existing support options

Awareness of the existing support options offered by HMRC was very low and customers were generally unaware of the Budget Payment Plan, Ready Reckoner or content strategy. This indicates that the information about these support options is not reaching customers for whom it might be relevant.

This could be due in part to the low inclination of these customers to seek this type of information out for themselves. This unwillingness to engage was driven by customers' low prioritisation of tax relative to other business priorities.

Third party organisations had a similarly low level of awareness of the support options that HMRC could provide customers and they found customers came to them as a last resort rather than proactively to manage their tax or financial affairs. This is explored further in chapters six and seven.

4.3 Design principles for support options

Three broad design principals emerged as being consistently important and beneficial to customers across all the different types of support on offer from HMRC. These key principles are outlined below.

Figure 1: Overview of design principles to support SA customers to pay their tax on time

Simplicity	SA customers were averse to complex language and tax related jargon.	There was a desire for simple, straightforward language so that they engage with tools quickly and easily.
Flexibility	These customers needed flexibility as they felt their circumstances were unique. Support tools and payment mechanisms needed to be easily adaptable to them.	Particularly important to customers with fluctuating income, irregular business or multiple incomes.
Accessibility	SA customers were unlikely to seek information out or spend a long time engaging with it so tools should be promoted and clearly signposted from one another.	It was important for the design of HMRC tools to convey that they are easy to use e.g. Google, YouTube, Apple.

4.3.1 Simplicity

Customers had low awareness and engagement with tax and their understanding of the language used to explain the topic was very limited. As such they wanted any HMRC communications or tools to be in plain English and to be free from complex tax terminology and phrasing, or at least for this to be explained. There was evidence that customers who had encountered complex communications or tools in the past were dissuaded from using them and from generally engaging with HMRC.

4.3.2 Flexibility

The diverse nature of Self Assessment customers means support options need to be flexible to help them. Customers often had irregular, fluctuating and unpredictable incomes and therefore showed a clear desire for support options to be flexible and adaptable to their circumstances. They also needed to be able to clearly and immediately identify that a support option would offer them the flexibility they needed.

4.3.3 Accessibility

Low engagement with their tax affairs meant customers were unlikely to actively seek out information on tax and associated support options from HMRC. Therefore, there was a desire for the support options to be advertised and communicated to them very clearly and in a way that would capture their attention. Customers wanted options to be clearly accessible via the

HMRC website. For customers, accessibility also means the support options need to be easy to use. Comparisons were made to usability best practices from Google, YouTube and Apple.

5. Responses to the Ready Reckoner

5.1 Customer views and use

5.1.1 Customer views and impact

Prior to being introduced to the tool, customers had low awareness of the Ready Reckoner and where to access it. They were aware of similar tools offered by other organisations but not the specific HMRC offer. Those who were aware of the Ready Reckoner were unaware of its name and referred to it as a 'tax calculator' or 'Self Assessment calculator'. Once introduced to the tool, customers responded very positively to the idea and saw it as potentially very useful for them.

The Ready Reckoner was the most positively received support option tested among customers. Customer positivity about the tool centred around its ability to answer the fundamental question of how much money they should be setting aside each month for their tax bill. This was a key uncertainty for customers and in providing a solution they felt the Ready Reckoner would enable them to budget appropriately each month. It was particularly useful for customers who were new to Self Assessment and those with fluctuating or irregular income, who had greater difficulty estimating how much they should set aside. It was particularly useful for the disorganised customers who were aware of their obligations but needed help developing an effective strategy to meet them.

"I'd have more of an idea of how much I was going to pay so it would impact this because I could budget for it.", Group 2, Female, Age 18-35

Customers expected that the Ready Reckoner would improve their knowledge of their tax obligations and enable them to budget more effectively to meet them. Because of this, they felt that the tool would have a positive psychological impact and reduce the cognitive burden of tax. It would reduce their uncertainty over how much they might owe and the associated stress and worry of not having this information.

"If you know roughly how much you've got to pay at the end of the year, it's a weight off your mind, I think. Rather than worrying how much it's going to be." Group 3, Male, Age 36-49

Two versions of the Ready Reckoner were tested. One provided an estimate of tax due for the year, whilst the other provided an estimate of the tax due for the year and the option to see it calculated as a monthly or weekly amount. Customers preferred the flexibility and adaptability of the Ready Reckoner which allowed them to see a monthly breakdown and typically preferred to use this function.

5.1.2 Customers' potential use of the Ready Reckoner

Expected use of the Ready Reckoner depended on how regular a customer's income was. Those with regular income believed they would use the Ready Reckoner once or twice a year and budget based on this information. Customers with more irregular income would use the tool as and when they needed it, typically when they were paid a large lump sum. This group would use the tool more regularly than those with regular income if they had frequent payments throughout the year that varied. Both groups felt they would be prompted to use the Ready Reckoner again if their situation changed substantially, for example if their income changed or they moved between employers/clients.

"I'd just use it once a year when I come to do my books." Group 4, Female, Age 50+

5.2 Areas for development

Customers were broadly very positive about the Ready Reckoner and suggested only minor areas for improvement. Although the terminology used in the tool is relatively basic, customers felt it would be beneficial to have descriptions or definitions included for any financial or business related terms. For example, terms such as profit or turnover, while straightforward for more experienced customers, were not understood by less experienced customers.

Greater clarity about the accuracy of the estimate would also give customers greater confidence in using the tool and help ensure they budgeted accordingly.

"While I do think it's great, I'm not sure how accurate it would be?" Group 3, Male, Age 50+

Customers also wanted to be able to calculate their tax owed to date using the tool. This would enable them to assess whether the amount of money they had set aside was likely to be sufficient.

5.3 View of third parties

Third party organisations were aware of the Ready Reckoner but were not aware of the name and referred to it as a "tax calculator". They felt it would be a very valuable tool for customers and would enable them to budget more effectively to meet their obligations. Third parties felt the Ready Reckoner would be most useful to customers with a fluctuating income and those who missed the payment deadline because they were disorganised.

6. Responses to the Budget Payment Plan

6.1 Customer views and use

6.1.1 Customer views and impact

Customers responded positively to the concept of the Budget Payment Plan. There was a strong desire to be able to pay off their tax in regular instalments rather than in one large bill. In fact, customers typically suggested a platform similar to the Budget Payment Plan spontaneously before being introduced to the stimulus. The idea was popular among all three customer groups: the unaware, disorganised and struggling customers.

"I didn't want to leave it again to get a big bill in January so I budgeted my money throughout the year." Group 4, Female, Age 36-49

The primary appeal of the tool was that it would allow customers to effectively budget, reducing their need to think about how much they owed and how much they had saved, as the tool mimics the PAYE system, transferring funds towards tax automatically. Customers who had previously paid PAYE tax identified this and saw it as a very positive aspect of the tool. Furthermore, they felt that the fact they would be regularly saving for their tax had a reassuring effect and gave customers a sense of control over their tax affairs. An additional benefit was reducing customers' capacity to dip into the money they had set aside for tax. This was a particular benefit for the struggling group of customers.

"It would discipline me to think 'I'm paying this', it's a great idea. That's why people like working on PAYE because they don't have the stress." Group 3, Male, Age 50+

Customers who had not used the Budget Payment Plan in the past had low awareness of it. The name was seen as being appropriate and when prompted for ideas for alternative names, customers typically suggested very similar names, for example, "budget planner" or "payment plan".

6.1.2 How customers would use the Budget Payment Plan

How customers would use the Budget Payment Plan depended on their income and situation. Those who had regular, fixed income were keen on paying into it on a regular monthly basis via direct debit. These customers drew on the similarities and ease of use of the PAYE system and wanted to mimic that through the Budget Payment Plan. Those with more irregular or fluctuating income expressed a need to make ad hoc payments of varying amounts. They wanted the ability to pay into the Budget Payment Plan as and when they were paid. For this group, a monthly direct debit would be problematic due to their cashflow and they would only use the tool if there was an option to make less regular payments.

"You would need quite a lot of flexibility for a self-employed person, as you can have a month where you earn nothing and then all of your invoices are suddenly paid at once. Payments should be cashflow based." Group 1, Male, Age 36-49

Barriers to using the Budget Payment Plan included the ability to maintain monthly payments and wanting access to the money for other financial priorities. Customers wanted reassurance about what would happen if they overpaid tax through the Budget Payment Plan, specifically around how and when the money would be returned to them.

6.2 Areas for development

The main area for development of the Budget Payment Plan was the regularity and variability of payments. Customers want the option to either pay a monthly direct debit or be able to make ad hoc payments of varying values. They felt this adaptability would make them more likely to use the tool and continue to use it if it could adapt to their needs. Customers also felt it should be more easily accessible either via an app or prominently placed on the website.

There was also a strong sentiment that the Budget Payment Plan should be more actively advertised and the benefits should be emphasised. Customers spontaneously requested a similar platform and felt that if they were aware of its existence they would have been very likely to use it.

"Is this a new scheme or has it been going for a while?" Group 2, Female, Age 18-35

6.3 View of third parties

Third parties were unaware of the Budget Payment Plan. They immediately saw the benefits and advantages of the system when presented with it and from their experience of working with this type of customer, they felt it would be helpful for budgeting purposes. Organisations also said they would be open to promoting this tool with their customers if it were officially communicated to them by HMRC.

*"What we'd advise is for people who are self-employed or self-assess, to put away money for tax, but not all people do that. So if this could promote that it would be valuable.",
Third party organisation*

7. Other Support options

7.1 YouTube videos

Customers were positive about the idea of YouTube video tutorials around tax, feeling this would provide a natural platform through which to receive information on tax obligations. As they were already using YouTube to gather information on other topics, for example learning how to fix things, customers felt tax should also be accessible through such videos.

"I find the 5 to 10-minute audio/visual way is a brilliant way of instructing myself to things. You know, I'll go on to YouTube to find out how to fix the car, or to re-wire a plug... so why not do it for tax." Group 3, Male, Age 36-49

YouTube videos were associated with being concise and accessible, with participants feeling that this could in turn, make tax easier to manage. Customers felt that if HMRC could produce bitesize videos around tax, they would be more likely to absorb and retain the information. Moreover, there would be a much higher chance of revisiting the channel in the future if they

were unsure about certain tax matters, something mirrored by their subscriptions to other YouTube channels with 'how to do' videos.

Although HMRC YouTube videos were already available, awareness of these was low. Customers did not instinctively think to look for information on managing tax on YouTube, so it was noted that the videos would need to receive greater signposting. In order to reach a larger audience of Self Assessment customers, the videos could be incorporated into a broader information pack that directed the individual towards them. Customers felt this approach, in tandem with a letter outlining tax responsibilities, would make them more likely to visit the YouTube channel and make the tax system feel more modern, and easier.

"If HMRC could put together a series of YouTube-type videos on various processes around Self Assessment...I've never seen anything like that from HMRC, and I feel that approach could bring the whole organisation up to date a little bit.", Group 2, Male, Age 18-35

Positivity around concise videos on tax information was present among all age groups. Customers with lower digital confidence felt that despite their relative lack of technological savvy, YouTube was a familiar platform and therefore, something they felt comfortable using. Additionally, customers felt that such videos could reach a wide variety of customers and help tax issues become more familiar to the public. This broad appeal of YouTube videos was also due to the multiple platforms it was available on. As customers already had competing priorities with work and other bills, it was important for information to be concise for them to engage with and use it.

"Yes, I think it definitely would help some people to have those quick videos... I think some people are more visual."

Group 2, Male, Age 36-49

7.2 Making Tax Digital

Customers felt that Making Tax Digital would be useful, as it could provide a means to budget for their tax bill, keep informed of their tax obligations and heighten awareness around deadlines. Another facet that was positively received was the increased control respondents felt it would give them, with a feeling that it could mirror their online banking system and create greater transparency with their tax account.

"Yes okay, so it (MTD) sounds like it would be like online banking, just with tax. That sounds great." Group 1, Female, Age 50+

"Having a ready-made, sort of, template that you can put information into is great. Something to keep track and keep reminding you is really good. Being able to see it visually...it would be great." Group 3, Male, 35-49

While the increased control and transparency of tax matters were highlighted as positives, concerns did emerge that Making Tax Digital could result in additional administrative obligations, with customers likely to keep directing tax matters towards their accountant if they used one. Customers were unsure about their own abilities to use Making Tax Digital, with the importance of the tool being simple and easy to use being a key desire amongst customers throughout.

"It's just another additional thing to do...For me, it's just the time thing. I guess I could supply the information. I could just send my totals to my accountant to fill it out, but it depends how quick and easy the system is." Group 4, Female, Age 35-49

"I would like that, but for me, I'd probably need somebody to come out and show me how to do it. You know, I need somebody to set me up and say, 'This is what you've got to do every week, or every month.' Group 4, Female, Age 50+

7.3 Self Assessment Letter

Customers recognised the value of the Self Assessment letter. They felt that the letter clearly set out their tax obligations and key deadlines. It was particularly important for HMRC to send this information to customers as they demonstrated low motivation to seek it themselves.

The letter was seen as being clearly set out, easy to understand and customers recognised that the information was relevant to them. In addition to highlighting key obligations and deadlines, the letter was seen as a useful signpost towards other tax support options for those new to Self Assessment, such as the Budget Payment Plan or Ready Reckoner.

"It's clearly laid out, it's good. It's the sort of thing I would need." Group 3, Male, Age 50+

"To have everything written down in one place, all the information and just to know exactly what I need to do next." Group 2, Female, Age 50+

"I think, one, the Self Assessment letter is a brilliant letter for people who are just starting out, especially freelancing. That's what I think, that's a brilliant letter for people who are starting out." Group 3, Male, Age 50+

Customers felt that due to the importance of the information in the letter, it should be both emailed and posted to them. They valued having a physical copy of a letter that they could store away and refer to, but were conscious of potentially missing it due to the growing amount of junk mail they received. There was a particularly strong preference for receiving the information in the letter via email among people with medium-to-higher digital confidence. Customers also suggested that receiving this information digitally would mean they had a soft copy that would be easy to find later.

"I do everything on my phone now. I bank on my phone, read emails on my phone...I like having a physical letter but there's so much junk mail on your door step that I think you can miss letters" Group 3, Male, Age 36-49

Third party organisations were similarly positive about the letter and the information contained in it. Concerns were raised amongst third parties however, regarding the letter reaching people who were not aware that they needed to complete a Self Assessment, but they recognised that reaching this audience was beyond HMRC's capabilities.

7.4 Aggregated view of penalties

The aggregated view of penalties appealed to customers, who felt that an overview of how penalties can build would be a useful reminder to pay their tax on time. This was seen as particularly relevant to disorganised customers, to help motivate them to develop a strategy for managing their taxes. It was also recognised as being helpful for customers new to Self Assessment as a means of improving awareness around potential future penalties for non-payment or filing, which it was expected would help encourage new customers to stay on top of their tax.

"What I like about this is it's very clear, separating out the difference between Self Assessment filing and Self Assessment payment. I can tell you, from my own experience, that in the middle of realising that I was in all sorts of trouble, none of this was clear at the time."

Group 3, Male, Age 36-49

Customers spoke positively about the case studies, as they provided tangible examples of the impact of the penalties, allowing them to visualise how it could apply to their own tax situations. Customers also felt that this helped to create a neutral tone, depersonalising the information and making it easier to take in.

"Yes, it's great, it's good because then you know that you're going to incur more costs and it's very clear it's not personal, this is what it is." Group 3, Male, Age 50+

Customers wanted information about penalties as early as possible after becoming self-employed to ensure they were able to plan and manage their finances to avoid them.

In line with the other support options, the language used needs to be as simple and straightforward as possible to ensure a complete understanding of the content. Customers found it difficult to understand terms such as 'aggregated' and the use of 'SA' instead of 'Self Assessment'. It was also important for any communication of penalties to emphasise that this is what would happen if customers did not file and/or pay their tax on time. Customers also felt that clarifying the difference between Self Assessment filing and Self Assessment payment would be beneficial as it was identified as a point of confusion amongst participants.

"First off, I think it should say, 'Overview of penalties,' because, 'Aggregated view of penalties' just sounds overly wordy ... with this is needs to be as simple as possible." Group 1, Female, Age 36-49

7.5 Content strategy

Customer views on the content strategy were less positive. Self Assessment customers felt it looked complex and technical and expressed concern about using it incorrectly or making mistakes. These customers felt that the content strategy was aimed at larger businesses as opposed to self-employed customers due to the questions asked, for example about number of employees and also the language used. These customers were also wary of inputting their estimated profit and turnover for the upcoming tax year as due to the fluctuating nature of their income, they lacked the confidence to adequately predict this.

"So, I really feel that they need to cater for freelance people more. Like, in their language, in what they're asking you to do." Group 2, Female, Age 35-44

"See straight away, one look at that and I know that's going straight to my accountant."
Group 3, Male, Age 50

8. Role of debt management and advice organisations

8.1 Awareness of third party debt management and advice organisations

Awareness and use of support offered by third party debt management and advice organisations was low. Customers saw them as a service primarily for people experiencing significant financial difficulties and not for financial guidance or information about tax which acted as a barrier to engaging with them. HMRC and accountants were viewed as the first port of call for information about tax. Both were viewed as being trustworthy on tax related issues as HMRC is the authority on tax and accountants were seen as having accreditation and/or expertise.

Customers also demonstrated a mistrust of this type of third party organisation, viewing them as profit-focused businesses rather than organisations serving the public interest. This was compounded by a fear of receiving poor or misleading advice which was perceived as a significant risk in relation to finances and tax.

"No one does anything for free... all these other companies, if you're having problems then there's always fears of them having a hidden agenda, wanting to get some profit out of you. I think that's why there's the fear and that if you're in trouble you keep it to yourself." Male, 50+, Group 3

8.2 Customer use of third party debt management and advice organisations

Customers who had used this type of third party organisation had done so when experiencing significant financial difficulty and after exhausting their other options. Customers that had accessed support from these organisations spoke positively of the experience, particularly the sympathetic nature of the advisors they spoke with and that the service was offered for free.

“They were very understanding...they gave me like a little encyclopaedia of debt management and provided good deal of knowledge for no cost.” Male, 50+, Group 1

In line with the customer research, third parties verified that clients who approached them did so after exhausting other options and for services such as insolvency support or debt solution packages. Third parties, however, indicated that they provided much broader support, focussing on the client's complete financial picture. This included help with budgeting, advice on liaising with creditors, restructuring debt, bankruptcy and Individual Voluntary Arrangements. Moreover, as well as addressing current financial issues, third parties looked to build overall financial capability and resilience.

“We look at every aspect of their financial debt and go through everything... If a client contacts us with any kind of debt, one of the first things we'll do is go through a budget sheet with them to look at how much they can pay their creditors.” Third Party Organisation

8.3 Awareness and views of HMRC support among third party parties

Awareness of support offered by HMRC to support customers to pay their tax on time was low amongst the third party organisations representatives interviewed. Time to Pay was the most well-known. There was some awareness of the Budget Payment Plan and Ready Reckoner, but not by name and organisations often had similar support models to help clients to develop financial resilience.

Third parties were open to a closer working relationship with HMRC in helping customers effectively manage their tax and avoid falling into debt and felt that this would ultimately lead to the best outcomes for customers. They felt that having up to date information about the ways in which HMRC can support customers would enable them to offer effective advice and guidance about their clients' tax affairs. They were also keen to refer clients to specific HMRC support tools such as the Budget Payment Plan or Ready Reckoner.

“This could work both ways for us and HMRC. We can show people what they have to offer, keep people out of debt and we can establish networks of information to keep up to date with each other.” Third Party Organisation

9. Communicating the offer

9.1 Timing around communicating each support option

Both customers and third party organisations noted that a lack of awareness around tax obligations was a key factor in customers failing to effectively manage their tax. They felt that HMRC's support options needed to be communicated effectively to customers at the earliest possible point of the tax journey. The concept of a Self Assessment 'starter pack' delivered when new customers file for Self Assessment, or at the beginning of the tax year for existing customers was tested as a potential solution during the research. Customers responded positively towards this and felt it would be helpful in ensuring they were aware of timings and their obligations. They suggested the pack could include a glossary of terms around tax, accompanied by a 'Beginners guide to tax' with information on tax codes, thresholds and deadlines. Customers felt this would be particularly useful to those new to Self Assessment or those without an accountant. Additionally, they felt that including signposting towards support tools could increase awareness around them and potentially increase use.

"It'd be good to get all of it together as a starter pack or something. So, it's all there and you can use them together, because surely that's the best way, to connect them all together."

Female, 50+, group 1

Among those who used an accountant, there were customers who were disappointed with their accountant's performance and felt they had made a poor decision when choosing them. These customers discussed the need for a guide on selecting accountants as they felt ill-informed about how to do so. Customers thought this was an area that could be filled by HMRC offering a guide to selecting an accountant.

"For others coming out of the college, I'm not sure how you would even find an accountant and we all needed one because we were clueless." Male, 50+, Group 3

In addition to communicating the support options as early as possible in the tax year, customers also felt they would benefit from prompts at key points throughout the year. They felt that reminders about the Budget Payment Plan, Ready Reckoner and overview of penalties should be more prominent at certain points throughout the year. In particular, customers with more sporadic incomes, felt that they would benefit from reminders as other financial priorities were often more prominent in their mind when they received their lump sum payments. Therefore, regular prompts of tax deadlines and HMRC support options would be more effective for these customers at different times throughout the year.

"I'd like as many reminders of these (supports) as possible. I get payed every three to four months and just about every other bill reminds me once a month to pay it...not to mention Christmas time where your cash goes elsewhere and that's only a month away from when your tax is due." Male, 35-44, Group 2

"I'd want [the letter on the budget payment plan] on 31st, just after I'd made my payment, or when I've got to make my August payment. I'd want to know it can be made a lot easier for you at any point really."

Male, 50+, Group 3

9.2 Channels of communication

Customers favoured receiving information on support options through a number of different channels in order to emphasise the importance of the message. Typically, customers felt they might disregard a single letter or email, but were likely to take notice of the information if they received it through multiple channels for example post and email. Furthermore, third party organisations and customers alike felt strongly that HMRC should use plain English in all of their communications and avoid using complex tax terminology. They felt this would help customers engage in the topic.

“Yes, I’d love to receive this, but in very plain English, because these days people don’t have the time to read through lots of paperwork. I think it just needs to be short, brief and straight to the point.” Female, 50+, Group 1

Customers felt it was unlikely that they would proactively visit Government websites in search of information about tax management. Instead they suggested that direct signposting from government communications would be the most effective means of introducing them to online tools. Customers suggested that email and post were the two most effective means of communication for this content and often requested a combination of the two.

“Budget Payment Plan, Ready Reckoner, yes they’re good things but how do you get that message out that they’re there...you need to reach the people that are most likely to need them.” Third Party Organisation

Customers also placed significant trust in their accountants, and felt they would be more likely to engage with HMRC support options if their accountant recommended it. Similarly, those who had positive experiences using third party organisations in the past also suggested they would be more likely to use HMRC support if encouraged by third parties.

“People need to have that in their hand at the right time, i.e. you want that at the very outset of your business, so when you first get going.” Male, 35-44, Group 3