



*Research report*

# **P800 End of Year Tax Calculation Notice**

Evaluation of P800 End of Year Tax Calculation  
Communication amongst PAYE Customers

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## *About P800 End of Year Tax Calculation Notice*

At the end of each tax year, HMRC send customers an End of Year Tax Calculation - P800 if they have under or overpaid their taxes. This personalised letter indicates whether the recipient needs to pay more tax or is eligible for a refund, the amount involved and how the payment or refund will be made. It also provides a more detailed breakdown of the tax calculations to help them understand how HMRC have come to the relevant conclusions and figures. In most cases, customers do not need to contact HMRC after they receive a P800. Customers are asked to contact HMRC, if there is an error.

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## ***Research Requirement***

HMRC sends out approximately 7 million P800 End of year Tax Calculation Notices annually. Earlier research indicated that the layout and content of the P800 was at times unclear and thus prone to creating confusion, leading customers to contact HMRC for reassurance purposes.

HMRC redesigned the layout and content of the P800 notice to make it clearer, easier to understand, more customer friendly and, as a result, to reduce the amount of reassurance calls upon receipt. New prototypes were tested qualitatively. The quantitative research was designed to further test the P800 prototype with a larger sample.

The research aimed to find out:

- Whether customers understand the purpose of the P800.
- Whether customers understand what they are required to do as a result of the P800 letter.
- Whether they find the information in the P800 clear and comprehensive.
- What aspects of the letter, if any, are still problematic for recipients and furthermore may produce unnecessary contact with HMRC.

## ***When the Research Took Place***

Fieldwork took place in September 2015.

## ***Who Did the Work (Research Agency)***

Research was conducted by TNS BMRB.

## *Method, Data and Tools used, Sample*

Overall, 2000 respondents participated in this online survey. The study was conducted among PAYE<sup>1</sup> taxpayers drawn from the Lightspeed Research<sup>2</sup> online access panel. Sample was recruited to represent the UK adult population demographics in terms of age and gender. Sample was then weighted back to match the PAYE population<sup>3</sup>. A breakdown can be found in Table 1 below.

**Table 1 – Demographic profile of sample**

	Sample Size	%
<b>Gender</b>		
Male	1001	50
Female	999	50
<b>Age</b>		
16-34	614	31
35-54	685	34
55+	701	35
<b>SEC<sup>4</sup></b>		
ABC1	1214	61
C2DE	740	37
Prefer not to say	46	2
<b>Education</b>		
Secondary school or less	539	27
College / 6th form	679	34
University graduate	523	26
Postgraduate	177	9
Other	70	4

Respondents were shown a prototype of P800 communication and asked about their understanding of the letter. Additionally they were asked what actions – if any – they would take as a result of receiving this communication. The individual sections of the

<sup>1</sup> PAYE – Pay As You Earn: a method of paying income tax and national insurance contributions as deductions made by employers prior to an employee receiving their net earnings.

<sup>2</sup> The panel is run by Lightspeed Research, a sister company within the Kantar group

<sup>3</sup> The sample was weighted to match the PAYE population in terms of the following specifications: Female (44%), Male (56%); Age: under 25 (7%), 25-34 (20%), 35-44 (19%), 45-54 (21%), 55-64 (16%), 65+ (17%); Region: NE (4%), NW (11%), Yorkshire and Humber (8%), East Midlands (7%), West Midlands (8%), East of England (9%), London (13%), South East (15%), South West (8%), Wales (5%), Scotland (9%), Northern Ireland (3%).

<sup>4</sup> Social and Economic Grade classification is based on the occupation of the head of household.

A: High managerial, administrative professional;

B: Intermediate managerial administrative professional;

C1: Supervisory, clerical, junior managerial;

C2: Student, skilled manual workers;

D: Semi and unskilled workers;

E: Casual labourers, state pensioners, unemployed or living on state benefits.

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P800 communication were segmented into 'hotspots'. Within the context of the study, a hotspot is a pre-defined small fragment or paragraph of the communication. Respondents were asked to select the hotspots they found helpful, neutral or difficult to understand throughout the communication.

## *Main Findings*

Among the overall sample, the letter was very well understood. More than nine in ten (92%) stated that they understood the main purpose of the P800. Levels of understanding were significantly lower among those who were in their first paid employment, and those who had not heard of tax codes – 81% for both groups.

Whilst the P800 communication was generally well understood, there were individual sections that proved problematic for respondents. The hotspot analysis showed that hotspots 10, 17, and 19 (related to adjustments, state pension and tax history) were sections that a more substantial proportion of respondents found difficult to understand, when compared to other hotspots. In particular hotspot 10 – concerning tax-related adjustments – was reported to be difficult to understand by just over a quarter of the overall sample (26%). Fifteen per cent said they found hotspot 17 and 13% said they found hotspot 19 difficult to understand. These hotspots were likely to generate a higher volume of calls due to confusion. Overall 17% of the sample said they would call HMRC due to difficulty understanding a hotspot.

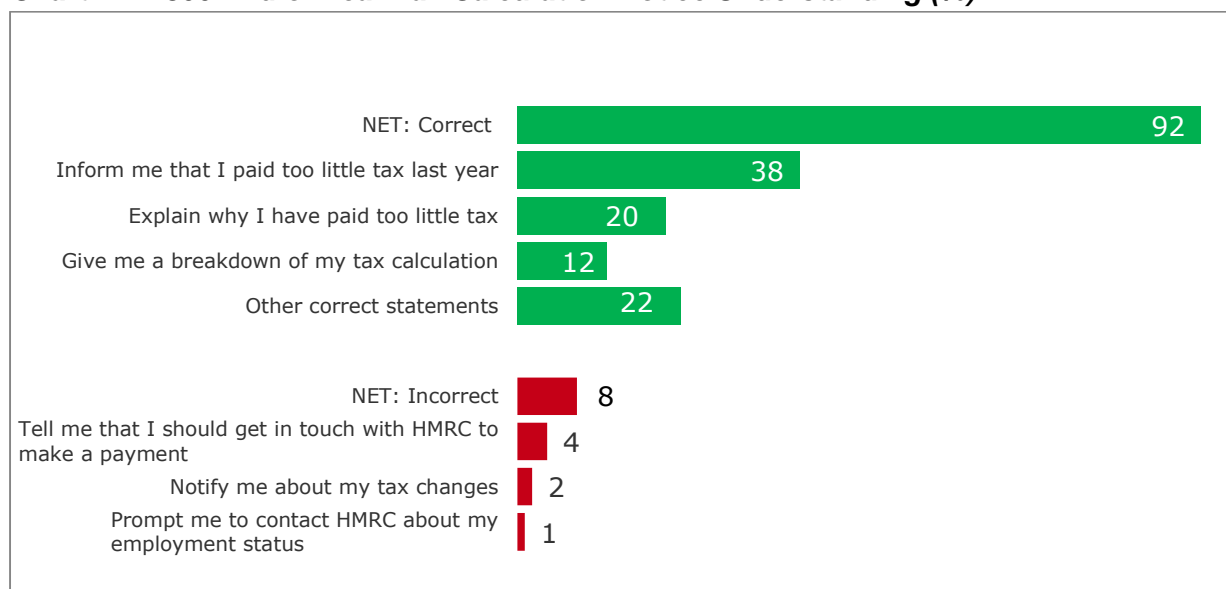
When respondents were asked what they would do if they received this communication in the post 50% of the sample selected only correct and/or neutral actions. Overall, 55% of the sample said they would call HMRC as a result of receiving the communication. This included the 33%, who would appropriately call HMRC if they found errors in the letter. However, 22% of the sample said they would only call HMRC to find out more information or to see if they need to make a payment, which were for reassurance purposes.

Almost a fifth (18%) said they would go online to visit the HMRC website for assistance. Reasons for those who said they did not use online options for seeking help and information, included that the HMRC website was felt to be difficult to navigate (22%) and the information on the website too generic (33%).

## Customer Understanding

Over nine in ten (92%) respondents were able to grasp the primary purpose of the P800 communication. This level of understanding was slightly lower at 81% among those in first paid employment and those who had not heard of tax codes. These were also more likely to be younger people (aged 16-24 years), suggesting the lower level of understanding can be attributed to lower experience and engagement with the tax system.

**Chart 1 – P800 End of Year Tax Calculation Notice Understanding (%)**



Question (VC1): What do you think is the purpose of this communication? (Single code)

Sample: 2000

Respondents were also asked about their views of the communication including how easy it was to understand the purpose and information being communicated, as well as its style, format and language. Table 2 highlights that overall reaction to the P800 communication was positive, with a majority finding the letter both easy and clear to read and a further two in three (65%) of the overall sample indicating that they would know what action to take upon reading the P800.

Views of the communication were less positive amongst those who have not heard of a tax code and those in first paid employment. Again, this may indicate that knowledge, engagement and experience with the tax system influence respondents' understanding and opinion about the communications.

**Table 2 – Use of communication**

	Agree (%)	Disagree (%)	Neutral (%)
The typeface/font was easy to read	78	5	17
I understand the purpose of the communication	74	6	20
The document feels formal	71	6	23
The communication is visually clear	68	7	25
I would feel comfortable contacting HMRC for help if I needed to	66	11	23
I am confident I understand what the communication is telling me	65	10	25
I understand what actions, if any, I would have to take next	65	10	25
The communication is well structured	63	9	28
The tone of the communication is appropriate	63	9	28
It is easy for me to understand the language used	63	10	27
It is easy for me to understand the content	61	11	28
Receiving this communication would make me feel better informed	60	12	28

*Question (component measures): You will now see a short list of statements about the communication you have just seen. Please indicate how much you agree or disagree with them. Score scale: 1 to 5.*

*Agree- NET 4-5;*

*Disagree- NET 1-2.*

*Ranking number 3 is considered as neutral.*

*Sample size: 2000*

## **Hotspot Analysis**

Most of the hotspots proved easy to understand; 16 out of 19 hotspots were found easy to understand by more than 90% of the respondents. However, just over a quarter of the sample (26%) indicated that Hotspot 10 (relating to adjustments to the tax code) was difficult to understand – a value higher than those who stated it was a helpful hotspot (21%). The other two that proved relatively difficult to understand were hotspots 17 (explanation of the state pension) and 19 (tax history); 15% and 13% of respondents respectively had difficulty understanding these sections.



**Table 3 – Breakdown of sample who found hotspots helpful or difficult to understand**

Hotspot	Hotspot Definition	Helpful	Difficult to Understand
1	“Tax calculation for the year”	42%	2%
2	“What happens next”	40%	1%
3	“Why you have paid too little tax”	31%	3%
4	“Please check this calculation”	24%	2%
5	“If you need to contact us”	26%	2%
6	“Please show this tax calculation to your tax adviser if you have one”	7%	1%
7	Income tax calculation	35%	8%
8	“Less your allowance”	31%	9%
9	“Income tax rate(s)”	31%	8%
10	“Adjustments”	21%	26%
11	“Result”	36%	7%
12	Income definition	26%	3%
13	Deductions definition	24%	5%
14	Allowances definition	25%	3%
15	Income tax rates definition	24%	5%
16	Adjustments definition	19%	9%
17	“Explanation of the State pension ”	32%	15%
18	“Tax from earlier year”	15%	3%
19	“Your tax history”	41%	13%

### Hotspot 10

Adjustments	Amount	Income Tax
Plus other adjustments	£150.00	
Plus Total adjustments		£150.00

Among those who found hotspot 10 difficult to understand, 72% said they were not sure what it was telling them, as it was not clear what the ‘other adjustments’ itemised were. Some respondents highlighted their confusion in their comments:

*“What ‘other’ adjustments?”*

*“What are the adjustments, and why are they necessary? Is it their mistake?”*

*“No specific information. What other adjustments [and] from where? Breakdowns, please!”*

Further comments by some respondents highlighted that there was no reference to the explanation about this section (hotspot 17) on the next page, which would have

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been helpful. These comments also indicated that the explanation (hotspot 17) did not indicate how the amount of ‘other adjustments’ was derived. Referencing the section ‘Your tax history’ (hotspot 19) where this amount is recorded may help to minimise this confusion.

*“What’s an adjustment? It is not explained until the next page, and even then the source of the £150 is not given.”*

*“Definition of individual adjustments should be shown; it is explained on the next page which is not good.”*

Furthermore, a significant proportion would be likely to call HMRC as a result. 36%<sup>5</sup> of those who found hotspot 10 difficult to understand (equating to about 9% of the overall sample) said they would call HMRC.

### Hotspot 17

Explanation	
State Pension	
State Pension you paid tax on	£5800.00
Your actual State Pension	£6700.00
Your State Pension is taxable but tax is not taken off the payments before they are paid to you. We use your tax-free allowance against your benefit. As your State Pension was more than the allowance we used, you have paid too little tax	

### Hotspot 19

Your tax history	
We send a tax calculation for each year that you have paid too much or too little tax. If you have paid the right amount of tax, we will <b>not</b> send you a calculation for that year.	
Because you have paid too much or too little tax in a previous year, a summary is shown below:	
<b>Tax Year</b>	
2010-11 you paid £750.00 too much tax	
2011-12 you paid £750.00 too little tax	
2012-13 you paid £230.00 too much tax	
2013-14 you paid £150.00 too little tax	
<b>Please note:</b> your figure for the most recent tax year is a <b>total figure</b> , as the result from each year is carried forward to the next. This means the previous tax year figure(s) were taken into account in order to calculate your final total figure. We have shown this in the Adjustments section of your calculation above.	

While both hotspot 17 and 19 do not create the same level of confusion as hotspot 10, and in fact score very highly for helpfulness (32% and 45% respectively), the difficulties to understand are pertinent and again predicated to a lack of clarity. Among those who found hotspot 17 difficult to understand, 74% understood this section to a certain extent, while 26% said they did not understand it at all. Moreover, only 67% said they knew what to do upon reading it. As a result of the difficulty understanding

<sup>5</sup> Total number of those who found hotspot 10 difficult to understand was– 526 respondents. Of that 526, 36% - that is, 9% of the full 2,000 respondents – then said they would call HMRC.

hotspot 17, 38%<sup>6</sup> said they would phone HMRC (translates to 5% of the overall sample).

Of those who found hotspot 19 difficult to understand, 78% said they understood the section to a certain extent, while 22% said they did not understand it at all. As a result of not fully understanding the hotspot, 40% of the subgroup said they would phone HMRC which equates to 5% of the overall sample.

### *Overall Impact of the Communication*

Respondents were asked what they would do if they received this communication in the post. The top three actions selected by respondents were correct actions which were:

- 1) check information against my records (44% of the sample selected this action),
- 2) call HMRC if I found errors in the letter (33% of the sample selected this action) and
- 3) read the letter and file for future reference (30% of the sample selected this action).

Half of the sample (50%) only selected correct and/or neutral actions.

Attitudes of respondents after receiving a communication from HMRC showed some difference in terms of the probability of contacting HMRC. Those who feel anxious or uncertain when they receive a communication from HMRC are significantly more likely to call than those who feel confident or do not feel anything particularly. 36% of those who feel anxious and 39% of those who feel uncertain when they receive a communication selected at least one of the call options compared with 29% of those who feel confident when they receive a communication from HMRC.

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<sup>6</sup> Total number of those who found hotspot 10 difficult to understand was– 301 respondents. Of that 301, 38% - that is, 5% of the full 2,000 respondents – then said they would call HMRC.

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**Chart 4 - What respondents would do upon receiving the P800 End of Year Tax Calculation Notice (%)**



Question (CA1): What would you do if you received this communication in the post? (Multi code)  
 Sample size: 2000

Overall 55% of the total sample said they would call HMRC as a result of receiving the P800 End of Year Tax Calculation letter. This included a third of respondents who would correctly call HMRC if any errors in the letter were spotted (33%). However, a third (34%) of the sample indicated they might call HMRC to ‘check if they need to make a payment’ or find out more information. This included 22% who would only call HMRC for reassurance or further information. Those who found one or more hotspots difficult to understand were more likely to make this type of call. Of those who would call HMRC, slightly more than half (52%) stated that issues are resolved quicker over the phone and around three-quarters (74%) said they simply prefer to speak to a real person.

Around 22% of the sample said they would go online for help with 18% saying they would look for help on the HMRC website upon receiving a P800 communication. Among those who said they would not go online for help 33% said the website was too generic.

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A lack of tax knowledge (22%) and ease of website navigation (22%) were also other issues mentioned by those who would not prefer online for help.