

Research report

Personal Tax Summaries

Quantitative testing of the Tax Summary

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Tax Summary Evaluation

About Personal Tax Customer Design Team

Personal Tax Customer Design Team works with colleagues in Personal Tax (PT) 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

The Personal Tax Customer Design Team 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)

In the 2012 Budget, the Chancellor announced the introduction of a Personal Tax Statement from 2014/15. Around 20 million taxpayers will receive a personalised summary of how their income tax and National Insurance has been calculated and how Government spent their money. This is divided between around 8 million Self Assessment customers and around 12 million customers who pay tax through PAYE.

These new statements, titled 'Annual Tax Summary' are a key aspect of the Government's plans to improve transparency of the personal tax system.

The aims and objectives of the Tax Summary are to:

- Make individual taxpayers more aware of and knowledgeable about how their tax and NI has been calculated by HMRC, the rates used in this calculation and how this contributes to public spending;
- Ensure that, as a consequence of the Government putting tax and spending information in one place, taxpayers feel better informed to hold Government to account for its decisions on tax and public spending.

An initial tax summary prototype was developed with the aid of qualitative testing.

Following on from this further quantitative research was required to robustly determine that:

- Customers understand the summary's purpose
- Customers are interested in their content
- Customers find the information in them clear and comprehensive
- Whether providing the summary with a P2 Notice of Coding affects understanding of the summary
- Whether the final summary has minimised the risk of unnecessary contact with HMRC/ employers (as no action is required).

When the research took place

Fieldwork took place from the 19th – 29th March 2013

Who did the work (research agency)

Research was conducted by TNS BMRB.

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Method, Data and Tools used, Sample

Research was conducted with members of the general public who currently pay income tax, either through PAYE or Self Assessment. These customers were contacted via LSR online access panel¹. Respondents completed the survey online and a total of 913 interviews were achieved.

As part of the survey, customers were shown the Tax Summary and asked how they would react to the communication and to comment on which parts (a set of defined hotspots shown on page 8) were easy or difficult to understand and indicate why that was the case. They were also asked a series of questions to determine how they would respond to the communication and views on the communication more generally.

Customers were assigned versions of the Tax Summary broadly tailored to their circumstances. For respondents who would be eligible, half were also shown the Tax Summary alongside a P2 Notice of Coding, as it is possible that the tax summary will be sent out with this.

A total of 913 interviews were carried out with a cross section of personal tax payers:

- Included those in Self Assessment and PAYE, from a mix of life-stages and socio-economic groups, and from all the HMRC attitudinal segments.
- Included a mix of circumstances, including those with more complex tax affairs such as those with multiple jobs and recipients of benefits in kind
- Included pensioners - both those in Self Assessment and PAYE

Data was weighted to be representative of the general tax paying population aged over 16 by age, gender and social grade.

This is the third stage of research commissioned to inform the design of the Tax Summary product.

¹ The panel is run by Lightspeed Research, a sister company within the Kantar group

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Main Findings

Overall, the new Tax Summary is achieving its key purpose – customers understood the content of the Summary and saw it as relevant. It made customers feel better informed and more positive about tax. Amends made following the earlier qualitative research, including the title of the product, seem to have benefitted comprehension.

Three quarters of customers felt it was effective in the way it provided information, was clear and easy to understand and helped them feel better informed. Most (82%) understood that the main purpose of the document was to show how income tax and National Insurance Contributions are calculated and spent.

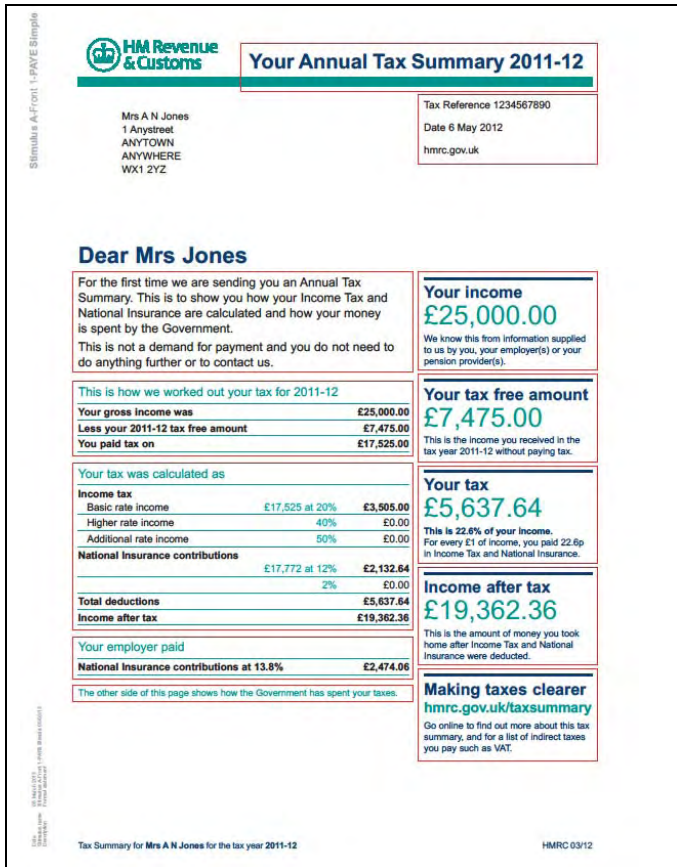
There were indications that receiving the Tax Summary could have a positive impact on customers' perceptions of HMRC (it had a positive impact for over half of respondents) and, to a lesser extent, on their perceptions of paying tax (it had a positive impact for a third of respondents).

Those who were shown the P2 Notice of Coding at the same time as the summary were slightly more confused about the purpose of the document, with 1 in 10 wrongly thinking it was to tell them how much tax they owe. 7% who saw the P2 said that the main reason for the communication was 'to get them to check my tax code'.

Hotspot analysis

The Tax Summary, with hotspot areas marked, is shown below – this version was shown to PAYE respondents with relatively simple affairs. . Other versions were tailored depending on respondents' circumstances, but hotspots remained broadly similar.

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Your Annual Tax Summary 2011-12

Mrs A N Jones
1 Anystreet
ANYTOWN
ANYWHERE
WX1 2YZ

Tax Reference 1234567890
Date 6 May 2012
hmrc.gov.uk

Dear Mrs Jones

Your income
£25,000.00

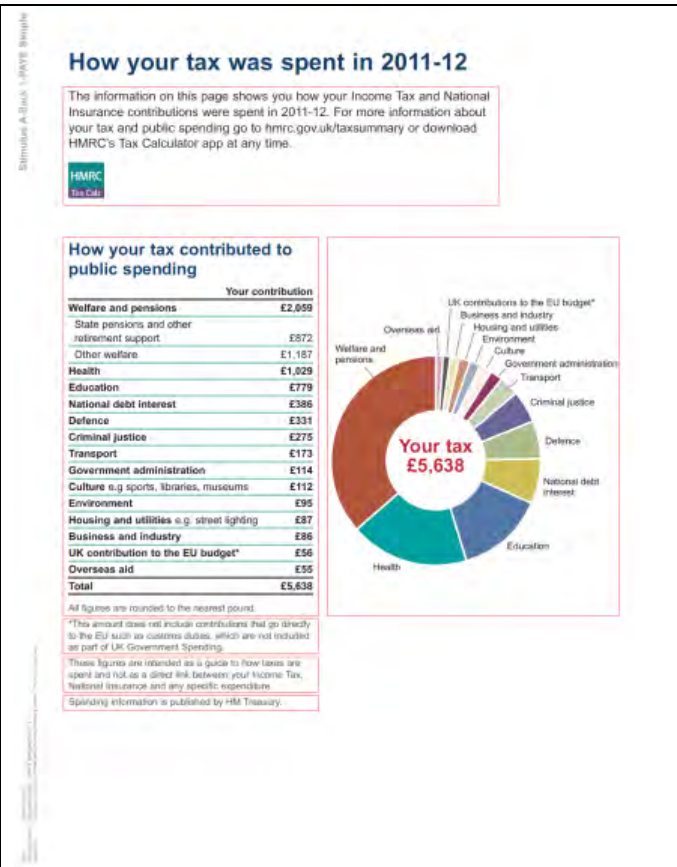
Your tax free amount
£7,475.00

Your tax
£5,637.64

Income after tax
£19,362.36

Your employer paid
National Insurance contributions at 13.8% £2,474.06

Making taxes clearer
hmrc.gov.uk/taxsummary



How your tax was spent in 2011-12

The information on this page shows you how your Income Tax and National Insurance contributions were spent in 2011-12. For more information about your tax and public spending go to hmrc.gov.uk/taxsummary or download HMRC's Tax Calculator app at any time.

How your tax contributed to public spending

	Your contribution
Welfare and pensions	£2,059
State pensions and other retirement support	£872
Other welfare	£1,187
Health	£1,029
Education	£779
National debt interest	£386
Defence	£331
Criminal justice	£275
Transport	£173
Government administration	£114
Culture e.g. sports, libraries, museums	£112
Environment	£95
Housing and utilities e.g. street lighting	£87
Business and Industry	£86
UK contribution to the EU budget*	£56
Overseas aid	£55
Total	£5,638

Your tax £5,638

All figures are rounded to the nearest pound.

*The amount does not include contributions that go directly to the EU such as customs duties, which are not included as part of UK Government Spending.

These figures are intended as a guide to how taxes are spent and not as a direct link between your Income Tax, National Insurance and any specific expenditure.

Spending information is published by HM Treasury.

Few customers found any areas of the tax summary difficult to understand. All of the key sections of the tax calculations on the front page and the table and graphic on contributions to public spending on the back page were well received by customers, with around three in ten specifically identifying these as helpful. Customers also found the key areas to be clear and simple, and the tax calculation section to be relevant to them. Previous tests using this methodology indicate that a hotspot which scores 30% or more is considered to be especially helpful by customers.

The main areas of confusion were found on the back page, particularly the footnotes under the spending information table. Where confusion did arise, this tended to be because respondents felt the phrasing did not make sense, or that respondents did not understand what it was telling them or the relevance of the information to them. However, only low numbers (4% or less) said they were confused and it was not a driver for contact with HMRC, with over half of those confused saying they would ignore this information or do nothing. Again, this is a strong performance in comparison with other communications tested using this methodology, where a score of 5% or below is an indication of low levels of confusion.

Responses to the tax summary did not vary significantly by group; similar areas were picked up as particularly helpful across all groups and demographics. However, pensioner

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customers in PAYE and customers in receipt of benefits in kind found the 'how your tax was calculated' hotspot particularly useful (44% of customers with a benefit in kind and 38% of PAYE pensioners found this helpful, compared to 30% of the survey population as a whole). The 'How your tax contributed to public spending' hotspot was also seen as useful by significantly more customers with a benefit in kind (51% found this helpful compared to 38% of the survey population as a whole).

Likely action taken on receiving the Tax Summary

While most customers reported that they would take some action on receiving the tax summary (e.g. looking at the website or checking the figures), 1 in 6 (16%) felt that they would need to make contact with HMRC as a result of receiving the information. Half of these (8%) said that they would contact HMRC by phone. This is lower than the average rate seen in previous communications tested using this method, where typically around a fifth say they would contact HMRC by phone. The majority of customers were confident that they would take the right action on receiving the tax summary.

In general, confusion was not a driver for contact – there was no difference for this group in terms of hotspots rated difficult to understand. However, they were less likely to have actually rated any hotspots as helpful as the overall population. There was also no difference between those who would check for errors and those who would not.

Most of the 16% who thought they would contact HMRC was made up of three groups – those in Self Assessment (SA), some people with multiple jobs and some pensioners.

Amongst those who receive income from multiple jobs or pensions, nearly half the multiple jobs recipients expressed some concern about income from multiple sources being grouped together. This may be a driver of contact, particularly amongst those with multiple jobs. About a quarter of Self Assessment customers and a similar percentage of those who expressed concern about the grouping of their multiple jobs/pensions said they would contact HMRC.

There were no other major differences in the profile of those claiming they would make contact with HMRC or more widely. This suggests that complexity of a customer's circumstances may be the driver of contact with HMRC, rather than confusion stemming from the design of the summary.

Both PAYE pensioners and Self Assessment pensioners would be more likely than other customers to check the information on the summary for errors against their records (61% and 58% respectively, compared with 47% of general survey population).

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