

Tax Credits and Reporting Changes in Household Composition

Prepared for: HM Revenue and Customs

Her Majesty's Revenue and Customs Research Report 109

Prepared by: Andrew Thomas, Cassie Philpin, Rachel Muscat TNS – BMRB Social Research
Part of BMRB Limited (British Market Research Bureau) BMRB/4510-8603

Disclaimer

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

© Crown Copyright 2011 Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, February 2011

www.hmrc.gov.uk/index

BMRB is ISO9001:2008 and ISO 20252 accredited.

BMRB is also a member of the London Remade environment scheme.

Printed on 100% recycled paper



Table of Contents

Executive Summary	6
Background and Introduction.....	6
Awareness and understanding of HMRC rules around reporting changes in circumstance	6
Customers' definition of a couple and when to report.....	7
Triggers to reporting a new partner	8
Barriers to reporting a new partner.....	8
Customers' Suggestions for Improvements	9
1 Introduction.....	10
1.1 Policy context and background to research.....	10
1.2 Aims of the research.....	11
1.3 Methodology.....	11
1.4 Sample	11
1.5 The interviews	13
1.6 Analysis and presentation of findings.....	13
2 Awareness and understanding of HMRC rules around reporting changes in circumstance.....	14
2.1 Awareness and understanding of reporting rules	14
2.1.1 What changes to report	14
2.1.2 When to report changes.....	16
3 How customers define a couple.....	18
3.1 Introduction	18
4 Issues relating to reporting a new partner	24
4.1 Relationship status	24
4.1.1 Trigger to reporting: moving in together permanently.....	24

4.1.2	Barrier to reporting: complicated living arrangements	24
4.1.3	Barrier to reporting: cultural background	26
4.2	Organisation	26
4.2.1	Trigger to reporting: good financial management	26
4.2.2	Barrier to reporting: disorganised lifestyle	27
4.2.3	Barrier to reporting: complicated relationships	28
4.3	Reliance on the benefit system	28
4.4	Knowledge and experience of the tax credits and benefit system.....	29
4.4.1	Trigger to reporting: experience and knowledge of other benefits	29
4.4.2	Trigger to reporting: knowledge of the implications of not reporting	29
4.4.2.1	Associated with the tax credit system.....	29
4.4.2.2	Associated with other benefits	30
4.4.3	Barrier to reporting: lack of understanding of tax credits	30
4.4.3.1	In relation to household income/new partners	30
4.4.3.2	In relation to how tax credits are calculated	31
4.4.4	Barrier to reporting: lack of awareness of consequences of not reporting ..	31
4.5	Technical/practical issues in relation to reporting	32
4.5.1	Trigger to reporting: acceptance of the rules	32
4.5.2	Barrier to reporting: misinformation	32
4.5.2.1	From other agencies	32
4.5.2.2	From HMRC advisors	33
4.5.3	Barrier to reporting: cost of contacting the HMRC helpline	34
4.5.4	Barrier to reporting: not being able to report in advance	35
4.5.5	Barrier to reporting: being without tax credits whilst joint claim is being processed	35
5	Customers' suggestions for improvements.....	37

5.1	Training	37
5.2	Communication	37
5.3	Reporting process.....	39
6	Conclusions.....	41
6.1	The definition of a couple for tax credits purposes	41
6.2	Reporting a new partner.....	41
6.3	The tax credits process	42
	Appendix A: Technical Appendix.....	43
	Appendix B – Original Quota Table.....	46
	Appendix C: Topic Guide	47
	Appendix D: Experiences of claiming tax credits and other benefits	60

Executive Summary

Background and Introduction

The current tax credits process requires that all tax credits customers declare a new partner to HMRC within one month, in order that their award can be updated to reflect this change in circumstances and to avoid a potential overpayment.

BMRB was commissioned by HM Revenue and Customs (HMRC) to explore tax credits customers' awareness of their responsibility to declare a new partner to HMRC, their understanding of how HMRC defines a partnership, and the triggers and barriers associated with reporting a change in household composition. More specifically the research explored customers':

- awareness of reporting changes, specifically regarding new relationships;
- understanding of implications of non-reporting of household composition changes;
- interpretation of the definition of a relationship as outlined by HMRC and understanding of when a joint claim should be made;
- understanding of when to report a relationship to HMRC;
- experiences of reporting changes to HMRC, specifically a new relationship; and
- suggested support/strategies required to fulfil tax credits responsibilities.

The research was based on forty-three face-to-face, qualitative depth interviews with three groups of current tax credits claimants:

- Claimants who had formed a new relationship and reported the change in household composition to HMRC;
- Claimants who had formed a new relationship and had not reported this to HMRC before being subject to a compliance check; and
- Claimants who had not formed a new relationship but were identified as having a higher likelihood of forming a new relationship and so being at greater potential risk of failing to report a new partner.

Awareness and understanding of HMRC rules around reporting changes in circumstance

The vast majority of customers were aware of the need to report changes in circumstances to HMRC, particularly, those which were regarded as having a direct impact on household finances, or which related to children.

Generally a change in relationship status, be that a new partner or relationship breakdown, was regarded by all customers as important to report to HMRC as it would have an obvious impact on household income, which would in turn affect their tax credit award. Some customers suggested that there may be more urgency to report a new partner than a relationship breakdown, as the former would result in an overpayment. This was seen as a more serious outcome than an underpayment that may result from a relationship breakdown.

Customers' definition of a couple and when to report

Customers had a simple spontaneous definition of a couple as living together with shared finances, which, on probing, was extended to include considering the relationship to be stable. This definition of a couple did not vary between the customers in terms of whether they had or had not reported a relationship change to HMRC.

Customers who had an unstable relationship history were most likely to question the HMRC definition of a couple, querying the need to report a new partner to HMRC unless they knew the relationship was going to last. Further complexities which made it difficult for claimants to conclude whether a relationship should be reported to HMRC were:

- complicated or inconsistent living arrangements;
- complex or irregular financial support; and
- turbulent relationships characterised by arguments.

Customers' assumptions were that the deadline for officially reporting changes generally was between two weeks and one month from the day the change took place, with household changes most likely to be reported as close to the one-month timescale as possible. Few customers, even those with a good track record of reporting changes to HMRC on time, had a concrete knowledge of the reporting timeframes, typically basing it on timeframes given for other benefits and more tenuously, retail refunding policies.

It was felt by many that the 'ideal' length of time in which to report a new relationship varied between one and six months, and was felt to be highly dependent on personal circumstances. Customers who had an unstable and turbulent relationship history, and those who had young children, were more likely to suggest that a longer timeframe was necessary to ensure that a relationship was serious and had longevity before reporting it to HMRC.

Triggers to reporting a new partner

The trigger to report a new partner was a significant change in the relationship status (getting married or moving in together), alongside personal characteristics (being organised in terms of financial management) and knowledge of the tax credits and other benefits systems (previous experience of reporting a new partner and the impact of delays in this).

Barriers to reporting a new partner

The barriers to reporting household changes mirrored the triggers. Those with a *less clear-cut relationship* with no regular financial support who were not co-habiting lacked the trigger to report moving in together. There were also cultural differences which affected customers' definitions of couples and hence reporting of changes, e.g. not perceiving oneself as in a couple if not married.

Those who were *financially disorganised* often failed to report a new relationship to HMRC at all, or in many cases, did not report a change on time. They tended to have an inconsistent financial situation (low income, sporadic working hours) which appeared to make it difficult for customers to monitor and maintain their tax credits correctly, resulting in overpayments and disengagement from the tax credits system. This was exacerbated where *complicated relationships and irregular finances* mixed.

A *lack of understanding of the tax credits system* and in particular, the consequences of not reporting changes to HMRC, were barriers to reporting. In addition, understanding of the purpose of tax credits linked to behaviour in terms of reporting new partners, with those who interpreted Child Tax Credit as a benefit for their own child not seeing the relevance of a new partner's income to this claim.

In some cases, *customers' reliance on tax credits* is so strong that their tax credits award takes precedence over their relationship status. This can result in claimants living separately from their partner yet still being part of a couple, which they believe allows them to carry on claiming as a single person. This in fact should still be considered a joint claim and it can cause complications for the customer.

There were also many technical and practical issues mentioned as barriers to reporting:

- Misinformation from other agencies, such as Job Centre Plus, was expressed by customers as a concern.
- Concern of a lack of consistency in the information customers were given by different HMRC advisors on the helpline.
- The cost of making calls to HMRC, occasionally resulting in rushed telephone calls and therefore not necessarily receiving a full response to queries.
- The inability to report changes in advance.

- For the majority of those who had reported their new partner, a key issue was the time it took to receive the updated amount (typically reported as about six weeks), which some felt would mean they would consider delaying reporting in the future so they could save up in order to cover the period they would be without their tax credit award.

Customers' Suggestions for Improvements

During the course of the study it was apparent that non-reporting was primarily due to customers holding a definition of a couple that does not fit with HMRC's definition, together with issues about the mechanism for reporting changes and the tax credits system more generally.

Customers made several actionable suggestions for improvements to the tax credit system:

Training

Improve knowledge of the tax credits system both internally at HMRC (specifically helpline staff) and externally for advisors at other benefit agencies.

Communication

- Give a clearer explanation to customers of how their tax credits award was calculated so they know what they are entitled to and whether their award is correct.
- Provide a better explanation of the rules regarding what constitutes a relationship; including such issues as how often a partner stays at the house, how financial support is taken into consideration prior to moving in together and the amount of money that can be provided by a partner without having an impact on a tax credits claim. There was a great deal of support to have this information on the tax credits application itself and not just in the guidance notes.
- Communicate the rules better regarding what constitutes a joint claim through such things as example scenarios and an online quiz.
- Send letters or text messages throughout the year questioning the status of relationships.

Reporting process

- Extend the timeframe for reporting new partners to three-six months, enabling customers to be confident that the change was permanent.
- Provide a free helpline number, facilities to report changes online, the ability to report changes in advance and remove the requirement for a signed copy of the amended award notice.
- Extended single claims for the period during which joint claims were being processed
- Finally informing customers about how their claim would be affected immediately after they had reported a change.

1 Introduction

TNS - BMRB was commissioned by HM Revenue and Customs (HMRC) to explore tax credits customers' awareness of their responsibility to declare a new partner to HMRC, their understanding of how HMRC defines a relationship, and the experiences of those customers who were subject to a HMRC compliance check.

1.1 Policy context and background to research

The calculation of a tax credit award is based on a number of factors, including household income and household circumstances. There are a number of changes in household circumstances that need to be reported and can affect a tax credit claim. These include a new partner, absence of a partner, new baby and children leaving full-time education. This research is specifically interested in the declaration of a new partner.

The current tax credits process model requires that all tax credits customers declare a new partner to HMRC in order that their award can be updated to reflect the changes in their circumstances or they may experience an overpayment of tax credits.

There are a number of pieces of research that adequately demonstrate that tax credit customers are generally aware of their responsibility to report changes in circumstances and also generally know the types of changes they need to report. They have also however highlighted that while customers know that a change in relationship status is one of the changes that they are required to report, they are unsure about what constitutes a new relationship and when to report this change¹. HMRC therefore wanted to further understand tax credit customers' views and understanding of their responsibility to report changes in household composition, focussing specifically on declaring that they have a partner.

¹ See Research Report 81: Claimants' Experiences of the tax credits Reach out renewals pilot; Research Report 82: Qualitative Research on tax credits customers' Experience and Views of the Health Check Pilot and Research Report 53: Exploring claimants' understanding of the tax credits system and the process of reporting changes in circumstance – all found at <http://www.hmrc.gov.uk/research/index.htm>

1.2 Aims of the research

The research aimed to explore tax credit customers' views and understanding of what counts as a relationship in relation to tax credits and their responsibility to report such changes in household composition. More specifically the research explored customers':

- awareness of reporting changes, specifically regarding new relationships;
- understanding of implications of non-reporting of household composition changes;
- interpretation of the definition of a relationship as outlined by HMRC and understanding of when a joint claim should be made;
- understanding of when to report a relationship to HMRC;
- experiences of reporting changes to HMRC, specifically a new relationship; and
- suggested support/strategies required to fulfil tax credits responsibilities.

1.3 Methodology

The research was based on 43 face-to-face, qualitative depth interviews. Qualitative methods were used to explore in depth a range of attitudes and experiences from the perspectives of those being studied. The findings produced are thematic rather than statistical. A fuller explanation of the qualitative methods used can be found in Appendix A.

This qualitative approach was adopted to allow for individual experiences and views to be explored in detail. Qualitative methods do not allow information to be given on the numbers of people holding a particular view nor having a particular set of experiences. The aim of qualitative methods is to define and describe the range of emergent issues, rather than to measure their extent.

1.4 Sample

The sample was selected from HMRC administrative records, and tried to identify those with different experiences of household changes and the tax credits system. It was hoped these contrasting experiences would result in customers having a different understanding and view on the procedures related to household formation within the tax credits system. The sample was structured around customers who:

- **Had formed a new relationship and reported the change in household composition to HMRC**

These are customers that were identified as having previously reported a change in household circumstances to HMRC. Due to previous experience of reporting changes, they were expected to have a better understanding of the process.

- **Had formed a new relationship and had not reported this to HMRC before they were subject to a compliance check**

These are customers that were identified as previously failing to report a change in relationship circumstances prior to a compliance check by HMRC. All customers who were in this category would have been subject to a HMRC compliance check prior to the research taking place. It was expected that this group would have a lower level of understanding of the rules surrounding reporting this particular change in circumstance and may have experienced a change in their level of understanding following discussions with compliance staff.

- **Had not formed a new relationship**

Customers in this group have been identified as having a higher likelihood of forming new relationships and being at risk of failing to report new relationships when they need to. This research aimed to explore the level of understanding of the rules around changes in household circumstances in this group to gauge on what they would base their decision-making, should a change in their relationship status occur.

Other quotas used to structure the sample included:

- Number of children in the household – all with at least one child²;
- Working status – Full-time, Part-time, Not working;
- Age – 16- 35, 36+;
- Sex – Male; Female;
- Language – English as a first language; English as a second language;
- Location – Birmingham, London, Northampton, South East.

A detailed copy of the quota table can be found in Appendix B.

² There was no quota on the number of children put in place as there were not enough customers in the sample provided without children to make comparisons, a criteria was set that all respondents had to have at least one child.

1.5 The interviews

All of the depth interviews were exploratory and interactive in form and were structured using a topic guide (see Appendix C), which allowed flexible questioning while being responsive to the issues raised in the course of the interview. Interviews lasted approximately 60 minutes and were undertaken between March and May 2009. Each customer who participated in the study was given £25 to thank them for their time. Interviews were digitally recorded, with the customers' permission, and transcribed verbatim to allow detailed qualitative analysis.

During the interviews, customers were provided with an array of stimulus materials which were used in tasks they were asked to carry out, such as a 'hierarchy task' to identify how customers prioritised the changes in circumstance to be reported to HMRC, relationship scenarios and a 'pick and mix' task to explore how they characterise relationships which require single and joint tax credit claims. Examples of the stimulus provided during the interviews can be found in the topic guide in Appendix C.

1.6 Analysis and presentation of findings

The transcribed interviews were subject to a rigorous content analysis (using Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues within a thematic framework. Further details of the analytical process can be found in Appendix A.

The findings have been illustrated with the use of verbatim quotations. The quotations have been edited for clarity but care has been taken not to change customers' meaning in any way - alterations are shown using parenthesis and ellipses.

2 Awareness and understanding of HMRC rules around reporting changes in circumstance

This chapter considers customers' awareness and understanding of the rules regarding what changes in circumstances should be reported to HMRC and the timeframes for reporting such changes.

2.1 Awareness and understanding of reporting rules

During the depth interviews, customers were asked to carry out a small 'hierarchy task', this involved using a list of show cards of 'changes of circumstance' and customers were asked to rank them in order of how quickly they would report each change to HMRC. A list of the show cards used as part of the task can be found in the topic guide in Appendix C.

2.1.1 What changes to report

Generally customers were aware of the need to report changes in circumstances to HMRC. The changes that customers were particularly aware of and were spontaneously mentioned during the depth interviews were those which were regarded as having a direct impact on household finances, or that related to children. The following circumstances tended to be prioritised in terms of being reported more promptly by all customers; however they were generally seen as being of equal importance.

- A change in working/hours/pay
- A change in relationship status
- New child
- Changes in childcare hours
- Changes in childcare expenses
- Changes in childcare e.g. after-school care.

Changes in circumstance that customers were less aware of the need to report were those which were less relevant to everyday life and those which had quite ambiguous meanings. These included:

- Changes that were not related to themselves directly, such as:
 - Child reaching leaving school age
 - Leaving the UK and hence no longer being eligible for tax credits.

- Changes that were not so clearly outlined and were seen to be slightly vague, for example; the number of adults in a household.

Customers identified similar changes as being necessary to report to HMRC, irrespective of whether they had previously reported a new relationship to HMRC. Customer's awareness of the changes that needed to be reported appeared to be the result of common sense, by considering which factors would have an affect on household income. Generally a change in relationship status; be that a new partner or relationship breakdown, was regarded by all customers as important to report to HMRC as it would have an obvious impact on household income, which would in turn affect their tax credit award. Some customers suggested that there may be more urgency to report a new partner than a relationship breakdown, as the former would result in an overpayment. This was seen as a more serious outcome than an underpayment that may result from a relationship breakdown.

There were however a few differences among certain types of customers in terms of what relationship changes they thought needed to be reported and when and whether they had considered these issues at all. Customers with English as a second language, who appeared to lack an understanding of the tax credit system, queried the need to report such a change to HMRC at all. These customers suggested that changes in relationship would influence household income (and therefore should be reported to Job Centre Plus). However, they regarded tax credits as specifically for supporting their children so failed to see why a new partner's income should be taken into consideration, as the children were not theirs.

Customers who had an unstable relationship history (i.e. complicated living arrangements; complex financial support and/or turbulent relationships) were most likely to question the definition of a new partner and the need to report such a change to HMRC unless they knew the relationship was going to last. Several customers who had negative experiences of relationships in the past thought it unlikely that they would enter another relationship in the future and therefore thought the issue of needing to report a new partner was completely irrelevant to them. However these customers were confident that if they did have a new partner they would know how to report this change to HMRC. Each of these issues will be explored in greater detail in subsequent chapters.

2.1.2 When to report changes

As explained above, customers generally struggled to prioritise what to report fastest as there was a tendency to feel that if any of the changes did happen customers would report it to HMRC as soon as possible.

"I wouldn't say there was any hierarchy, they're all as important as each other. You should report any of them as soon as you can." (Interview 33, had not reported a new relationship to HMRC)

When asked about timeframes in which customers have to report changes, it was often suggested that the deadline for officially reporting change was between two weeks and one month from the day the change took place. This view was often based on customers' assumption rather than factual knowledge and was consistent between those who had correctly reported new partners to HMRC and those who had not. Few customers, even those with a good track record of reporting changes to HMRC on time, had a concrete knowledge of the reporting timeframes. It was typically the result of guesswork, often based on timeframes given for other benefits and purchases.

"I don't have a clue what the reporting timeframes actually are. I guess a reasonable time would be a month." (Interview 30, had not reported a new relationship to HMRC)

However, all customers were aware that changes should not be left to renewals due to the risk of overpayment.

While customers thought that all changes had the same reporting timeframe, a change in relationship was seen as the most likely to be reported as late as possible, and as close to the one-month timeframe as possible. It was felt by many that in such circumstances more than a month would really be required to ensure the permanency of the new relationship. The 'ideal' length of time suggested by customers in which to report a new relationship varied between one month and six months, and was felt to be highly dependent on personal circumstance³. Instead of being linked to customers' previous reporting behaviour (that is, whether they had previously reported a new partner within the one month time frame or not), this was linked to their relationship history. Customers who had an unstable and turbulent relationship history, and those who had young children, were more likely to suggest that a longer timeframe

³ 'Research Report 78: Tax Credits and Household Break-ups found similar results with regards to customers reporting a relationship break-up. The study reports that personal factors play a major role in the variation of the length of time a customer feels is ideal to report to HMRC. Please refer to <http://www.hmrc.gov.uk/research/index.htm>
Tax Credits and Reporting Changes in Household Composition: July 2009

was necessary to ensure that a relationship was serious and had longevity before reporting it to HMRC. This issue is discussed in more detail in Chapter Four.

“[HMRC] have to allow people to actually make sure they're compatible” (Interview 21, had not reported a new relationship to HMRC)

3 How customers define a couple

3.1 Introduction

A key requirement of this research was to identify any discrepancies between how HMRC define a couple for tax credits purposes (outlined in Box 1 on page 19) and what customers regard as a couple, as well as at what point in a relationship customers would consider themselves to be a couple for tax credits purposes. It was expected that customers who had correctly reported a change in relationship status to HMRC would have a definition closest to that used by HMRC as they had previously acted within these rules. In contrast, those who had not reported a change and been subject to a compliance check, or those who had not formed a new relationship were expected to be less aware of the official definition.

However, when customers were initially asked what a 'couple' meant to them, without exception, their spontaneous response was two people who were married, or living together as married, and sharing household finances on a regular basis. Previous experience of reporting changes to HMRC did not appear to have an impact on customers' definition of a couple.

"You don't have to be married; two people living together, whatever sex they are. If they are both supporting each other then I think they are a couple. For me, supporting each other means sharing money, paying the bills between you." (Interview 10, had reported a new relationship to HMRC)

One couple, where the relationship had broken down but continued to live in the same household, pointed out that simply living together did not constitute a couple; couples were two people living together as married.

"In my case no [the definition is not correct as we are separated]. I am living here with him, but I am not with him if you understand." (Interview 27, had not reported a new relationship to HMRC)

Customers were then shown the definition of a couple that is used in the tax credits claim form (Box 1) and asked whether they understood the definition and whether it was sufficient to fully define a couple.

Box 1

Tax Credit Claim form – definition of a couple

Couples must claim tax credits jointly. You are part of a couple if you are:

- married and living with your husband or wife, or
- in a civil partnership, or
- living with someone as if you are married or in a civil partnership.

Customers fully understood the following terms: 'married', 'living with your husband and wife', 'living with someone as if you are married'. There was less awareness and understanding of the term 'civil partnership', although customers fully understood the concept when described as 'same-sex couples'. All customers agreed that such couples should be making a joint tax credits claim. However, customers considered that the definition shown in Box 1 was not entirely sufficient. Although perhaps implicit in the definition, regular financial support was seen as missing from the definition.

HMRC use an additional set of features to determine whether two people constitute a couple. These are shown in Box 2. This information had been abbreviated by BMRB for use in the interviews. A fuller definition is available on the HMRC website as part of the New Tax Credits Claimant Compliance Manual. It is not however readily available to customers, for example in guidance notes, and is actually used more to guide Compliance Officers through compliance checks rather than to advise customers.

Box 2

Additional features used by HMRC to define a couple

Couples:

- Live in the same household most of the time, although one or both partners may also spend some time in another household or be absent, for example when working away.
- Have a stable relationship, although may still be considered a couple if they have frequent breakdowns in the relationship, have a "trial separation" or when there is a likelihood of reconciliation.
- Financially support each other, usually but not always, by pooling money or each taking responsibility to pay for particular household bills, for food or motor costs.
- If there are any dependent children, they share responsibility for looking after them.
- Act as a couple, such as socialising as a couple or family, and are treated as a couple by other people.

Further exploration of the definition of a couple understood by customers was undertaken using a set of scenarios that took into account the additional features shown in Box 2. The scenarios, provided in Appendix C described a range of relationships – single people, boyfriend-girlfriends, married couples, couples living together, civil partnerships and relationships that were less clear-cut.

The following examples in Boxes 3 and 4 were readily recognised as a couple and single people, respectively, for tax credits purposes:

Box 3

Havindar and Amer have been a married couple for five years. They live in the same household and share the household bills. They also share a joint bank account.

Box 4

Rosie and Mohammed have been dating for three weeks. They enjoy each other's company and may see each other once or twice a week. Sometimes they go to the cinema, out for a meal or to watch a theatre show. They never stay over at each other's houses and each person pays the bills for their own home.

While living together and sharing household finances were spontaneously used to define a couple, a third feature emerged as essential to the definition of a couple as a result of using the scenarios. This feature was the stability of the relationship. Where customers were presented with scenarios that suggested that relationships were less clear-cut, it was much more difficult for customers to decide whether the relationship was a couple by HMRC definitions. These complicating factors included:

- complicated living arrangements;
 - where the partners were not constantly living together; this refers to couples who lived in separate houses and paid their own individual household expenses but may spend a number of nights a week at each others houses;
 - periods of separation; this generally refers to couples where one member inconsistently stays in the same household, for example if a partner only spends three or four nights a week at their partner's home;

- complex financial support arrangements;
- turbulent relationships characterised by arguments, for example; where the man storms out and leaves for a few days and returns.


Box 5


Chantelle and Dean have an on/off relationship. They often argue and Dean leaves home for a while, sleeping on his Mum's sofa, before they make up and he returns. Whilst he is away Dean continues to pay the bills as he did before and Chantelle expects her and Dean will get back together.

Mary and Derek have been a couple for a few months. Derek works as a long distance lorry driver and is away for several days at a time, when he sleeps in his cab. Derek returns to Mary's house when he is not working. He sometimes gives Mary money towards the food shopping and lets Mary use his car whilst he is away.

A key requirement of this research was to identify at what point customers would consider themselves to be a couple for tax credits purposes. Customers have a simple spontaneous definition of a couple: living together, shared finances and a stable relationship. They do not consider any other aspects of a relationship unless prompted, for example by the scenarios used during the interviews, when considering whether two people constitute a couple for tax credits purposes. This is captured in Box 6 below, which demonstrates that tax credits customers and HMRC use different definitions of a couple.

Box 6	FINANCES	LIVING ARRANGEMENTS	STABILITY
JOINT	Consistent contribution to the household	Permanent address	Stable
UNSURE	Occasional financial support	Occasionally share	On/ off relationship
SINGLE	Separate finances	Separate address	New relationship

 HMRC definition of a couple

 Both customers and HMRC definition of a couple

It was very clear that customers did not use any of the following occasional activities when thinking about whether two people constituted a couple:

- Socialising
 - Spending time together
 - Sharing the same friends
 - Paying for evenings out

- Child-related activities
 - Giving pocket money
 - Collecting children from school
 - Attending school / parents evenings

The simple definition was universal among customers, be that those who had previously reported a new relationship to HMRC, those who had failed to report a new relationship and those who had not formed a new relationship.

Confusion occurs where relationships do not conform to this simple definition, for example, in the relationships described in Box 5, which customers then described as 'developing', 'casual', or 'complicated'.

Their definition was also in line with the description, shown in Box 1, which is used by HMRC on the tax credits claim form. From their point of view, the HMRC definition was very straightforward and implied two people who were permanently living together and sharing household finances. Upon being informed that the HMRC definition includes the provision of occasional financial support, many customers agreed that they could understand why it would be taken into account. However they stated that HMRC need to better promote this element of the definition in order for them to be able to comply with it.

It is recognised that the notes that accompany the tax credits claim form provide a wider description of a couple, but very few of the customers in this study could recall reading the notes. A clear implication of this from the customers' views was that in order for customers to be fully informed about how HMRC define a couple for tax credits purposes, consideration should be given as to whether a fuller description should be included in tax credits documents.

"They need to get more information out there, in leaflets and letters. It is no good just saying if you are on your own, claim as a single person; if you're living with someone, you're a couple, because obviously there's a lot of grey areas" (Interview 31, had not reported a new relationship to HMRC)

It was found that all customers adhered to the same definition of a couple for tax credits purposes. This is contrary to expectation that customers who had reported a new partner to HMRC within the correct time frame would have a definition of a relationship closer to that of HMRC than customers who had not. Therefore, rather than their understanding of a relationship being different, the explanation for differences in reporting behaviour between these two groups appeared to be linked to any complexities in the way in which their relationships developed, and their engagement with the tax credits and benefit system. These are discussed in Chapter Four.

4 Issues relating to reporting a new partner

Customers highlighted several triggers and barriers to reporting a new partner to HMRC within the reporting timeframes. Important considerations which might improve current policy and guidelines are outlined in this chapter. The triggers and barriers relate to the following factors: relationship status, organisation, engagement with the system, knowledge of the system, and technical/practical issues with reporting.

4.1 Relationship status

4.1.1 Trigger to reporting: moving in together permanently

As discussed in chapter 3, customers define a couple as living together as married with shared financial support. Both of these conditions needed to exist before customers would consider themselves to be a couple for tax credits purposes. Consequently, getting married or moving in together on a permanent basis was usually the trigger to reporting a joint claim to HMRC. The following example demonstrates moving in together, or the decision to move in together, as a trigger for reporting a joint claim. In this particular instance, one of the customers tried to report a change in circumstances in advance, which is not currently possible.

Case Study 1: Mary and Ivan

Mary was divorced and had been living at her mum's house with her three children. She had been dating Ivan for some time and it was their intention to live together as a married couple. Mary knew that Ivan's income would affect her Income Support so she presumed that it would also have an impact on her tax credits too. She checked with Job Centre Plus who told her to get in touch with HMRC so she called them up two months before Ivan moved in. Mary was told that when Ivan moved in it would affect her tax credits and was asked to call back on the day that Ivan moved in to change her claim. She did so. Her single claim was stopped immediately. It subsequently took six weeks for the joint claim to be paid by HMRC.

4.1.2 Barrier to reporting: complicated living arrangements

In cases where the relationship was less clear-cut, for example couples who did not live together on a permanent basis, where one partner might be away from the family home for some nights during the week, or there was no, or irregular, financial support – the clear trigger of moving in together was absent. Consequently new partnerships were more likely to go unreported. This was consistent with how customers interpreted the scenarios discussed earlier;

where inconsistent financial support and maintaining separate homes meant that couples were not regarded as being in a relationship for tax credits purposes, even where they considered their relationship to be exclusive and permanent. For example:

Case study 2: Rod and Kate

Rod and Kate have been together for around 12 years and have four children together. Their relationship has been on/off and they recently got back together after living apart for seven years. They decided to get back together shortly before Kate gave birth to their fourth child.

They had separate houses and separate bills but Rod was staying over two or three nights a week to see the children and giving some money towards their upbringing.

Kate had been making a single claim ever since the birth of her second daughter, just after she separated from Rod. She had contacted HMRC on several occasions over the years regarding her working hours, which would fluctuate, and when she was made redundant. Neither were claiming any other benefits or were aware of the rules regarding how often Rod could stay at Kate's house or how much he could contribute before requiring a joint claim to be made.

Even though they felt they were a couple as they had an exclusive relationship, when claiming tax credits they regarded themselves as single because they had separate houses and separate bills.

Customers who had a history of turbulent relationships explained that concerns about the stability of the relationship meant that they would wait to report a change in circumstance. While in most cases, the waiting period was up to a month, there were instances where the waiting period was much longer, as in the following example.

Case Study 3: Maria

Maria has two children from a previous marriage which she left a few years ago as it was abusive. She is not in touch with her ex-partner and receives no financial support from him. She has been living with her mum for the past four years and is claiming Income Support, Housing Benefit, and Child Tax Credits.

Maria has been making a single claim for many years, even during a six-month period when she was back with her partner. As she was not sure how long the renewed relationship would last she did not think it was worth the hassle of making a joint claim.

4.1.3 Barrier to reporting: cultural background

Some customers suggested that cultural differences had an impact on what would be regarded as a couple. For example, one customer from Slovakia did not report a new relationship as she perceived herself to be part of a couple only if she were to marry; this was based on self perception due to cultural influences rather than on the actual HMRC definition. Similarly, a couple from Nigeria stated that it was unlikely that a woman would ever report a relationship breakdown, even if her husband had left the family home and was not providing any financial support, as it was not culturally acceptable for a woman to be a divorced.

4.2 Organisation

4.2.1 Trigger to reporting: good financial management

Tax credits were regarded as essential to household finances, with many customers reporting that they would not be able to pay their bills or childcare fees without them. Many working parents reported that they would not be able to afford to work were it not for their tax credits⁴. However, while all customers reported that they had to be careful with their household finances due to money being tight, some were more organised than others and this was often linked to the likelihood of reporting a new partner to HMRC.

Customers that were organised with their finances showed evidence of careful budgeting. This included paying bills by Direct Debit to ensure they were paid on time, prioritising their payment over other household outgoings, regularly checking bank accounts and in many cases keeping a written record of in-comings and out-goings so they could keep on top of finances.

"I always know what I have got and what I can spend. I've got this book so I can see what is coming in and what's going out." (Interview 3, had reported a new relationship to HMRC)

An organised approach to household finances can be associated with reporting changes to HMRC in a timely manner. The most organised customers were more likely to have tried to report changes in their relationship in advance of moving in with their partner.

⁴ See appendix D for further details

4.2.2 Barrier to reporting: disorganised lifestyle

In contrast, there appeared to be a link between customers who were financially disorganised and failing to report a new relationship to HMRC at all, or in many cases, not reporting a change on time. Typically they were claiming tax credits and no other benefits but were on low incomes as just one member of the household was working. While they stated that they knew that they should budget, they often felt overwhelmed by money matters and their finances tended to be slightly out of control.

“I’d rather just go out and spend the money on buying the kids something new instead of paying the bills that are sat there needing to be paid” (Interview 43, had not reported a new relationship to HMRC)

This lack of organisation and limited experience of the benefit system seems to mean that such customers are less likely to be aware of the tax credit reporting rules.

The main difference between the organised and disorganised customers was however the complexity of their personal affairs. Organised customers generally had a steady income with one or both partners working either full- or part-time. In contrast, the less organised customers were often not working at all and had partners on low incomes, or appeared to have quite sporadic working hours, resulting in a low and often irregular income which they often struggled to manage. This inconsistent financial situation appeared to make it difficult for customers to monitor their tax credits and make correct claims, resulting in fairly regular overpayments. Customers in this situation tended to be rather disengaged with the tax credit system and felt they did not understand how it worked.

Case Study 4: Alice and Peter

Alice works nights as a shelf-filler at Tesco. She is contracted to work 16 hours but often works overtime so her hours can range from 16 to at least 28 each week. Her husband works as a fire extinguisher fitter and can often work 40 hours or more a week. Alice has been married twice previously. She has two children from her first marriage and occasionally gets money from her ex-husband to buy the children clothes. She has two children from her second marriage but has no contact and receives no financial support from her second husband. Alice and Peter do not claim any benefits and rely on tax credits to pay the mortgage and support their five children.

Due to the complexities of Alice’s circumstances she expressed difficulty in fully understanding the changes that need to be reported; as a result Alice has been subject to compliance checks in relation to her varying income and also for failing to report their relationship within the one month timeframe.

4.2.3 Barrier to reporting: complicated relationships

Receiving money from a partner prior to living together was another issue raised in relation to financial management and its impact on household definition. Customers who informed HMRC of new relationships within the HMRC guidelines reported that their finances were kept completely separate from their partners prior to living together. Those who had not reported their partner at the appropriate time explained that they had been receiving occasional financial support from their partner before they were living together but that the support had been inconsistent amounts and therefore they had not felt that it had been relevant to their tax credits claim.

“Sometimes paying for food or shopping is very different to paying towards the mortgage. His income would have to be part of the household income, not when he’s just giving you the odd tenner.” (Interview 33, had not reported a new relationship to HMRC)

As discussed previously, this issue is interlinked with customers’ relationship status. Moving in together and combining finances were more likely to coincide for people in relationships that developed in a more conventional manner. For couples whose relationships were more complex and on-off, the finances were more likely to be slightly messy which would lead to not regarding themselves as a couple for tax credits purposes.

4.3 Reliance on the benefit system

In some cases, customers’ reliance on tax credits is so strong that they take precedence over their relationship status, which can cause complications for their claims. An example of this is given below.

Case Study 5: Agatha and Aban

Agatha has been living in the UK for four years. Her husband, Aban, is from Iraq and has recently moved to the UK. Initially they made a joint claim but received an overpayment of £1000 for reporting their relationship to HMRC too late. Agatha sought advice from the Citizen’s Advice Bureau who told her she would be better off making a single claim. The couple now live separately. Aban lives with friends and occasionally spends a week or two with Agatha and their daughter. Agatha is scared that if she were to live with Aban and HMRC were to find out she would receive no financial support at all.

4.4 Knowledge and experience of the tax credits and benefit system

4.4.1 Trigger to reporting: experience and knowledge of other benefits

Customers who were receiving other benefits alongside their tax credits were able to transfer their knowledge of these benefits to the tax credits system.

"I know for Income Support, that you, if you have to start working, that you have to otherwise you can be prosecuted. But for tax credits? I presume it's the same." (Interview 4, had not formed a new relationship)

Furthermore, these customers were able to refer to the other agencies involved in other benefits for advice about their tax credit claims. Job Centre Plus was regularly cited as a source of support regarding claims. Other agencies including Lone Parent Advisors and Sure Start workers were also approached for information about tax credits. There was a preference for face-to-face discussions about benefits as these reassured people that they were making the right claim.

"They [Job Centre] explained to me, go through tax credits, have a chat with them and see what they can explain, what they can offer you and everything else. But we then got in contact with them [HMRC] and they clarified everything what the lady told us." (Interview 2, had reported relationship break up to HMRC)

4.4.2 Trigger to reporting: knowledge of the implications of not reporting

4.4.2.1 Associated with the tax credit system

As discussed previously, there was a consistent theme amongst all customers regarding the changes they would prioritise to report and the presumed timeframe of between two weeks and one month to report such changes.

"I think most places, they give you fourteen days, don't they, with certain things?" (Interview 34, had not formed a new relationship)

There was little difference between the level of knowledge about what should be reported or when among customers. There was however a difference between those who had reported new partners to HMRC and those who had not in regards to their understanding of the implications of non-reporting. Customers who had previously reported new partners were generally better informed about the possible consequences. They were aware of the risk of overpayments and underpayments and were often keen to ensure that they were receiving exactly what they were entitled to. The high level of awareness of the risk of overpayments encouraged prompt communication with HMRC about any changes to avoid the possibility of receiving a fine.

4.4.2.2 Associated with other benefits

Those who had reported new partners frequently made a direct link between non-reporting and benefit fraud as a result of customers associating the rules of the other benefits they claim to the tax credits system; several citing recent television advertisements on the issue. As a result, such customers did not want to take any risks in relation to their tax credits and were pro-active in contacting either HMRC or other benefits agencies for advice on their claims.

“I’d have to pay it back. I think you can get a prison sentence as well because it’s fraud.” (Interview 12, had reported a new relationship to HMRC)

4.4.3 Barrier to reporting: lack of understanding of tax credits

4.4.3.1 In relation to household income/new partners

Customers appeared to be particularly aware of the need to report changes to Job Centre Plus that would have an impact on their Income Support and as a result of informing them were then referred on to HMRC. The effect that having a new partner would have on Income Support appears to be more top of mind to some customers than the possible need to report this change to HMRC. This was particularly the case among customers who were only claiming Child Tax Credit. In such cases, as the tax credits were regarded as specifically for their children there was a perception that a new partner’s income should not be taken into account.

Case Study 6: Rachel and Luke

Rachel was making a single claim for Child Tax Credit even when she was living with her partner, Luke, for a short period of time. She informed Job Centre Plus when he moved in with her because she knew that his money would contribute towards the household. Because Rachel was only claiming tax credits for her children and she did not expect Luke to support them she did not see why his income should affect the tax credits she received for her children and therefore did not see the need to report it to HMRC.

4.4.3.2 In relation to how tax credits are calculated

As discussed above, customers' awareness of the tax credit rules was often based on knowledge of other benefits and through advice given by various agencies. Customers also said that they used information provided by HMRC via leaflets, renewals letters, HMRC advisors and the recorded messages played whilst on hold to the helpline. Despite all of these information sources, customers lacked an in-depth understanding of the tax credits system and regarded them as more complex than other benefits.

A particular frustration appears to be the lack of transparency about how awards are calculated and what people's entitlements are. The result of this is that customers are unable to judge if they are receiving the correct amount. In some cases, for example, customers reported more than one change at a time and had subsequently been written to and informed that their award had been reduced. It was not made clear how much was reduced for each change and therefore customers were unable to confirm if the right amendments had been made. They also felt that being aware of how awards were calculated and what they were entitled to receive would enable them to know what changes they should report.

"Tax credits are so complicated you need to speak to someone to make sure everything is clear. It's not like other benefits where you can see roughly what you're entitled to" (Interview 33, had not reported a new relationship to HMRC)

The lack of detailed understanding of the tax credits system in regards to how awards are calculated, meant that reporting behaviour appears to be influenced by common sense and an awareness of the implications of not reporting, rather than the specific rules regarding what constitutes a change of circumstance and the timeframes for reporting such changes.

4.4.4 Barrier to reporting: lack of awareness of the consequences of not reporting

A lack of concrete knowledge of the consequences of not reporting changes to HMRC was seen among many of the customers who had not reported a new relationship. Despite the interviews for this research taking place after being subject to a compliance check, these customers often 'guessed' or 'presumed' what the implications might be of failing to report a change. Being subject to a compliance check and overpayment for not declaring a new partner did not necessarily translate into a better awareness of tax credits rules which implies a lack of engagement and understanding of the system.

4.5 Technical/practical issues in relation to reporting

4.5.1 Trigger to reporting: acceptance of the rules

Generally, customers accepted that having a new partner should result in a reduction in their tax credits award due to the impact it would have on household finances. People who had reported new partners to HMRC said that the knowledge that reporting such a change would result in a reduction in award would prevent others from declaring it to HMRC. This was not however given as a reason for not reporting by those who had been subject to a compliance check. They tended to agree that couples living on a joint income should receive less tax credits and felt that they would not want to break the law and be subject to an overpayment for non-reporting.

“If I am living as a couple and I have a partner who is supporting me, who’s helping me with running the household, then that’s fine.” (Interview 34, had not formed a new relationship)

4.5.2 Barrier to reporting: misinformation

4.5.2.1 From other agencies

On the one hand, access to additional support can assist people with the tax credits system and prompt them to report necessary changes. However there were cases where people had relied on advice from Job Centre Plus rather than contact HMRC, and had been misinformed. In such cases, customers found resulting compliance checks frustrating as they felt that they had sought advice and were doing the right thing.

“When Gerry moved in, I went to the Job Centre and said to them that I’ve moved in with him. He was on Income Support already, and obviously I was on Income Support and claiming tax credits. Everything else was joint; the Housing Benefit claims. I asked if I needed to change my tax credits over and they said no. Then it transpired, when April came round that, yes, I should have told them. So while they were working out how much I owed them, I had no money from like, the end of July to the beginning of September.” (Interview 40, had not reported a new relationship to HMRC)

4.5.2.2 From HMRC advisors

Customers were generally confident about contacting HMRC for advice about their claims. However, a lack of consistency in the information they were given and negative experiences of reporting changes to HMRC in the past was a source of frustration.

The favoured method of contacting HMRC about changes in circumstance was via the helpline. This was seen as the quickest means of communicating and has the reassurance of speaking directly to an advisor. Having this direct contact was seen as essential as customers tended to find the tax credits system quite hard to understand, so the opportunity to ask questions and get an instant response was appealing.

“The phone has a more personal touch, you can explain things better and you can gauge people’s responses better than by letter or email and because tax credits are so confusing you need to actually speak to someone.” (Interview 33, had not reported a new relationship to HMRC)

There were however several frustrations with the helpline which acted as a barrier to reporting changes. A key issue that was highlighted was the lack of consistency between advisors, with customers being unable to have one point of contact to deal with their claim. This meant having to explain their situation each time they called. It was also reported that different advisors would give different responses to their query.

“When I ring, every time different people pick up and one time they’ll tell it like this, the next time they say something else. It depends who you talk to.” (Interview 41, had not formed a new relationship)

Several individuals who were in more complex relationships that were characterised by being on-off, or who were receiving occasional financial support from their partners also contacted HMRC prior to officially moving in together or getting married. By doing so, they felt that they were acting within HMRC guidelines. They reported that they had been asked to call back when they had actually moved in together. Finding out that they should in fact have been making a joint claim in advance of moving in together and being subject to an overpayment after a compliance check was therefore an issue of some annoyance.

Case Study 7: Amy and Chris

Amy contacted HMRC shortly prior to her wedding to make a joint claim but was told by HMRC to contact them again after the couple had moved in together which Amy did. Shortly after this Amy and Chris were subject to a compliance check. HMRC informed them that they should have been making a joint claim for the year prior to their wedding. Chris was living at his Dad's and was not paying rent or bills for Amy but Chris's name had been put on the mortgage in order to save on solicitor's fees when other changes were being made to the mortgage, prior to them moving in together. He was however helping out occasionally with Amy's shopping. Amy and Chris did not realise they were doing anything wrong, especially as they had previously contacted HMRC about the marriage. As a result of the compliance check they received a £9,000 overpayment and a £2,000 fine which they arranged to pay back on a monthly basis by 2047.

Although customers understood that Compliance Officers were 'just doing their job' and generally the compliance interview was thought to be quite straightforward, in some cases customers reported that they had been made to feel like "criminals" and that they felt information was being demanded from them, with little explanation of the process.

"We started to feel like criminals. I was thinking 'blimmin hell, they think we've been fiddling them' and you start sweating thinking they're going to send you to prison. A better explanation of the procedure would have been nice." (Interview 33, had not reported a new relationship to HMRC)

The experience of the compliance check was sometimes seen as useful in terms of enabling people to find out about the rules regarding what constitutes a new partner and encouraging them to be more proactive in contacting HMRC about changes in circumstances in the future. However, many felt that had there been clearer information available from HMRC about when customers should be making a joint claim they would not have been subject to a compliance check at all.

4.5.3 Barrier to reporting: cost of contacting the HMRC helpline

Several customers also mentioned the issue of the cost of making calls to HMRC. This occasionally meant that they rushed their phone calls and did not necessarily get full responses to their queries, or they resorted to writing to HMRC. Written communication was unpopular as customers could not be sure that their letter had been received or dealt with.

4.5.4 Barrier to reporting: not being able to report in advance

A key issue for customers in regards to experiences of reporting changes to HMRC was the inability to report changes in advance. Several customers stated that they contacted the helpline prior to moving in with a new partner to inform them of the impending change only to be informed to call back on the day that the move actually took place.

Generally customers in 'straightforward' relationships where there had been no prior financial support were able to take this advice and still be regarded as reporting a new partner in line with HMRC guidelines. They still found it frustrating that their attempts to be organised and pro-active were not allowed. For those who were in more complicated relationships where moving in and receiving financial support did not coincide, customers felt that HMRC had not given adequate advice regarding their claim by being told to call back after moving in together.

"I tried to report us getting together before we got married. Paul did help me buy food and things but I honestly didn't think I was doing anything wrong. I wasn't made aware that people weren't allowed to help you financially." (Interview 30, had not reported a new relationship to HMRC)

4.5.5 Barrier to reporting: being without tax credits whilst joint claim is being processed

For the majority of those who had reported their new partner, the key issue in regards to changes in award was the time it took to receive the updated amount. Typically customers reported a six-week period with no tax credits while the single claim was cancelled and the new joint claim was processed. Many felt that had they been able to report in advance the joint claim could have been awarded from the day that the couple moved in together. Some customers stated that this experience meant they would consider delaying reporting in the future so they could save up in order to cover the period they would be without their tax credit award.

"I couldn't spend anything unless it was completely essential because I just didn't have any money to spend for about two months while they sorted out the claim. He said not to worry and it wasn't my fault but me personally, I thought 'oh god, he's going to think that he's got to pay for everything and that it's not fair'. I really didn't like it at all." (Interview 3, had reported new relationship to HMRC)

5 Customers' suggestions for improvements

Customers made several actionable suggestions for improvements to the tax credit system. These fell into three key categories including training, communication and alterations to the reporting process.

5.1 Training

Customers suggested that knowledge of the tax credits system could be improved both internally at HMRC and externally for advisors at other benefit agencies. A key criticism of the HMRC helpline was that advisors would often provide inconsistent information about claims.

As so many customers favoured face-to-face advice regarding what they perceive to be a complex system, many referred to other agencies where they could speak directly to an advisor and get assistance with completing forms. While no-one expected staff from other agencies to communicate directly with HMRC on their behalf, or for there to be an automatic process of information transfer between agencies, many felt that there was an opportunity for advisors at agencies including Job Centre Plus and Lone Parent Advisors to be better informed about the tax credit system.

“Even Job Centre staff ain’t 100% with the tax credits, they just try and pass you off there should be a lot more awareness and better training for them.” (Interview 24, had not reported a new relationship to HMRC)

This view was held most strongly by customers who had relied on the advice of Job Centre Plus staff and later been subject to a compliance check.

5.2 Communication

Customers frequently referred to tax credits as ‘complicated’ or ‘confusing’, even those who were highly reliant on the benefit system and appeared to be quite knowledgeable about the system. It appears that there is a need for the tax credit system to be more transparent. Customers felt that they would benefit from a clearer explanation of how tax credits were calculated so that they could be more aware of what they were entitled to and whether they were receiving the correct amount. They also felt that HMRC should provide a better explanation of the rules regarding what constitutes a relationship; in particular around the more complicated issues such as how often a partner stays at the house and how much money they can contribute before requiring a joint claim.

Customers felt that if they understood how their tax credits were calculated they would be better placed to know what changes in circumstances would have an impact on their claim and subsequently would be better informed about what needed to be reported to HMRC. If a breakdown of their claim award were provided, customers felt that they would also be in a position to identify if their claim amount was incorrect subsequent to reporting any changes.

Case Study 8: Erica and Sam

Erica contacted HMRC to inform them that she would soon be moving in with her new partner, Sam. She was informed by an HMRC advisor to contact them when they were actually living together. She did so a few days after the move along with a reduction in her childcare costs. Her tax credit award was subsequently reduced and she presumed that this was due to both alterations. Erica and Sam were later subject to a compliance check and received an overpayment for not making a joint claim as HMRC had no record of her reporting her new partner. Erica suggested that had she seen a breakdown of her award she might have seen the mistake and contacted HMRC to correct it.

It was suggested that HMRC needs to explain that financial support is taken into consideration prior to moving in together, even if it is inconsistent in amount and frequency. There were also calls for the amount of money that can be provided by a partner without having an impact on a tax credits claim to be made clear.

“If they can tell you how much you can earn before affecting your tax credits they should be able to tell you how much money someone can give you before it affects your claim.” (Interview 30, had not reported a new relationship to HMRC)

There was clearly a need to better communicate the rules regarding what constitutes a joint claim. Several suggestions were made for achieving this including the provision of more detailed examples of relationship scenarios highlighting the specific factors that will be taken into account and the reasons why. The use of an on-line quiz presenting different customer relationships and whether they constitute a joint claim was also suggested.

“There are no guidelines to say what you can and can’t do” (Interview 23, had not reported a new relationship to HMRC)

More direct and regular questioning about the status of relationships was thought to encourage customers to contact HMRC regarding any changes in

circumstance. It was suggested that letters or text messages could be sent throughout the year, as well as at the renewal period and that the issue should be raised more directly. Customers felt that the onus was upon them to contact HMRC and suggested that perhaps HMRC could be more pro-active in communicating with them.

"The emphasis is put on the person to report and it is easy to ignore. If you were asked out right it would be harder to ignore." (Interview 18, had not formed a new relationship)

5.3 Reporting process

Relationships were regarded as more complex and subject to change than many of the other situations that need to be reported to HMRC. It was therefore suggested by some customers that the timeframe for reporting new partners, or indeed breakdown in relationships, be extended to enable customers to be confident that the change in status was permanent. Suggested timeframes ranged from three to six months.

"I think it's giving people a time, like a little period of time sort of saying if you decide to live with your partner you have a three-month period in which to report this change of circumstance." (Interview 23, had reported a new relationship to HMRC)

By providing an 0800 number and enabling on-line reporting, customers felt that they would be better able to contact HMRC for advice and that the process of reporting changes would be more flexible and efficient. The existing process for reporting changes was generally seen in quite a positive light. However, many customers felt that removing the need for changes reported via the telephone having to be confirmed later by a hard copy of a signed form would speed up the process of joint claims being processed, and help alleviate the problem of long periods with no tax credits award. Currently, unlike other changes that can be altered on an existing claim, when a new relationship is reported the original single claim is stopped and a new joint claim is set up. Customers often could not understand why a single claim could not simply be updated to a joint claim.

"If for example you can log in on the internet and just log into your account and then just tick something or send an e-mail, it will be easier". (Interview 11, had reported a new relationship to HMRC)

Customers also felt that being able to report changes in advance would be beneficial as it would reduce the likelihood of forgetting to inform HMRC at a later date and could also help overcome the issue of the delay between a single claim being cancelled and the joint claim being received. It was also suggested that single claims should be extended for the period during which joint claims were being processed because although joint claims were backdated, this was not regarded as sufficient support as many customers were pushed into taking out loans or relying on credit cards in the interim.

*"If you can tell someone in advance so that on that day your money just changes rather than your money just stops, that would be really helpful for a lot of people."
(Interview 3, had reported a new relationship to HMRC)*

It was also suggested that customers would benefit from being informed about how their claim would be affected once they had reported a change. There were two reasons for this. First so that households could budget for their new income and also so that they would be able to identify if their subsequent award had been miscalculated.

"When you ring up and your payments have changed, they can only tell you your first payment is going to be, they can't tell you in advance what it's going to change to...then you can plan ahead. I mean I can't live like that. I have to plan ahead."(Interview 10, had reported a new relationship to HMRC)

6 Conclusions

During the course of the study it was apparent that non-reporting was primarily due to a lack of understanding about when to report a new partner, together with issues about the mechanism for reporting changes and the tax credits system more generally. They are considered in turn below.

6.1 The definition of a couple for tax credits purposes

It is clear that tax credits customers and the HMRC define couples in a different way. Customers use an essentially simple definition based on living permanently together as married with shared finances, whilst HMRC use a wider definition. The simpler definition is reinforced in tax credits customers' minds by the definition of a couple provided on the tax credits application form. While this definition is expanded in the accompanying notes, it is also clear that customers tend not to read them.

The implication for greater notification of a change in circumstances is for **the definition of a couple to be more precisely and expansively defined on the tax credits application form**. In addition, **the frequency with which partners live together and the degree of financial support should be defined clearly for customers**. Customers suggested the use of scenarios and an on-line quiz to help them determine their relationship status for tax credits purposes.

Generally new partners were eventually reported to HMRC. The reported guidance received is that HMRC allow a one-month window in which to report a change in circumstances, but there is a great deal of uncertainty about this. **It would clearly be helpful to customers if the timescale for reporting changes in circumstances is clarified**.

Customers with low incomes, by definition, tended to be heavily reliant on their tax credits. Where they were unsure about the stability of a new relationship there is a tendency to delay reporting to HMRC. **Customers consider that new relationships should be given a longer timescale to report a new partner, ideally up to six months**.

6.2 Reporting a new partner

Customers who characterised themselves as financially disorganised, lone parents who were not working and those on low, irregular, incomes tended to be later reporters of a change in circumstances. **Such individuals might benefit from a more regular intervention to check whether there has been**

any change in their circumstances. HMRC's tax credit Health Check Service Improvement Module provides an excellent model for this.⁵

Customers who were in receipt of other benefits, particularly Income Support, were more likely to be aware of the rules around reporting a new partner⁶. Many customers were already associating DWP advertisements regarding benefit fraud with tax credits and were relying on other benefit agencies for advice on tax credits claims. **Customers could therefore benefit from a more 'joined up' service with HMRC and DWP providing references to each others' financial support.**

Changes in partner were generally reported by telephone to the HMRC Helpline. The cost of the call could be a barrier to some customers. **A Helpline freephone number was thought by customers to be beneficial in this respect.**

Customers also commented on some lack of consistency in advice given by HMRC Helpline advisers. While, overall, **the advice given by the Helpline was valued, customers felt that there should be greater efforts made to ensure consistency of advice.**

6.3 The tax credits process

A number of customers had attempted to report a new partner in advance, but had found that it was not possible to do so. When they subsequently reported the change they found that there was often a considerable delay in setting up their new claim. The effect was that customers considered delaying reporting any changes in circumstances in order to make sure they had money to live on. **The implication of this is that a mechanism needs to be in place such that there is a continuous stream of financial support throughout the reporting period that is adjusted when the new claim is finalised.**

When reporting a new partner to HMRC, customers considered that they should be given some idea of the effect this would have on their tax credits claim. Currently, HMRC are unable to provide such an indication, yet customers would find it very helpful as it would enable them to budget. **Customers requested that HMRC provide an indication of the effect of reporting a change in circumstances on their tax credits claim, at the time of reporting.**

⁵ Research Report 82 - Qualitative Research on tax Credits Customers' Experience and Views of the Health Check Pilot. For a copy of the full report please visit: <http://www.hmrc.gov.uk/research/>

⁶ It is recognised that the rules for reporting changes in circumstances for tax credits and DWP benefits such as Income Support, are not identical.

Appendix A: Technical Appendix

A brief outline of the research design and conduct is given in chapter 1 of this report. This appendix provides further details of the research methods used in this study. A copy of the topic guide used during the in-depth interviews can be found in Appendix C.

Research Design

The research was qualitative in design, adopting in-depth interviews in order to examine customers' experiences of the tax credit system, specifically reporting a new partner. A qualitative approach to the research enabled respondents to raise issues of importance in their own words and vocabulary, in the context of their own circumstances and, with probing by the interviewer, ensured issues were explored and examined in full. As qualitative methods permit researchers to adapt their approach during the interviews, interviewers were able to be sensitive to the needs and circumstances of the respondents.

Sample design and selection

As is usual in qualitative research, the sample was designed to ensure full coverage of the key sub-groups within the target population, in order to identify and explain variations in behaviour and views. Purposive sampling was used to structure the sample of respondents to ensure that the range of attitudes and approach to reporting changes in circumstances was covered in the research.

Conduct of the interviews

The in-depth interviews were carried out by qualitative researchers who have extensive experience and have been trained in the techniques of non-directive interviewing.

At each household, the interview was carried out with the household member who was responsible for dealing with tax credits. Each interview was exploratory and interactive in form so that questioning could be responsive to the experiences and circumstances of the individual respondent. Interviews were based on a topic guide (see Appendix C), which listed the key themes and sub topics to be addressed and the specific issues for coverage within each. Although topic guides help to ensure systematic coverage of key points across interviews, they are used flexibly to allow issues of relevance for individual respondents to be covered through detailed follow-up questioning.

The wording of the questions and the conduct of interviews were designed to be appropriate to the needs and circumstances of the people being interviewed. All members of the research team took part in a briefing to ensure the interviewing approach was consistent across the interviews.

The interviews were conducted at a venue convenient to the respondent; this tended to be the respondent's home, though there were respondents who opted to have the interview conducted at alternative venues, such as their place of work. All interviews were digitally recorded and transcribed verbatim.

It is customary practice to use respondent payments when carrying out qualitative research and as such all respondents were given £25 as a 'thank you' for taking part in the research.

Analysis

Material collected through qualitative methods is invariably rich but unstructured. Much of it is text based, consisting of verbatim transcriptions of interviews. Moreover, the internal content of the material is usually in detailed and micro form (for example, accounts of experiences and inarticulate explanations). The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived.

The analysis of the in-depth interviews was undertaken using a qualitative content analytic method called 'Matrix Mapping', which involves a systematic process of sifting, summarising and sorting the material according to key issues and themes.

The first stage of 'Matrix-Mapping' involves familiarisation with the data (in the form of verbatim transcripts) and identification of emerging issues. Based on this preliminary review of the data, as well as the coverage of the topic guide and the researchers' experiences of conducting the fieldwork, a thematic framework is constructed.

The analysis then proceeded by summarising and synthesising the data according to this thematic framework that comprises a series of subject charts displayed in Excel.

Data from each interview transcript was summarised and transposed under the appropriate subject heading of the thematic matrix. The context of the information was retained and the page of the transcript from which it came noted, so that it was possible to return to a transcript to explore a point in more

detail or to extract text for verbatim quotation. Once the data had been sifted a map was produced which identified the range and nature of views and experiences, sought associations and patterns within them and provided explanations and underpinning factors.

The mapping process is similar regardless of the topic being considered. The analyst reviews the summarised data; compares and contrasts the perceptions, accounts, or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. Piecing together the overall picture is not simply aggregating patterns, but weighing up the salience and dynamics of issues, and searching for structures within the data that have explanatory power, rather than simply seeking a multiplicity of evidence.

Appendix B – Original Quota Table

	Tax Credit Claimant Type		
Characteristic	Group 1 Reporter (14)	Group 2 Identified Non-reporter (15)	Group 3 Potential Non-reporter (14)
Children	All with at least one child any age		All with at least one child under 5 years old ⁷
Working Status	4 Full Time 5 Part Time 5 Not Working	5 Full Time 5 Part Time 5 Not Working	5 Full Time 4 Part Time 5 Not Working
Age	At least 7 16-35 At least 7 36+	At least 8 16-35 At least 7 36+	At least 7 16-35 At least 7 36+
Sex	2-4 males At least 11 females	2-4 males At least 11 females	2-4 males At least 11 females
Location	Aim to achieve an even spread between London, Birmingham and Bedfordshire	Aim to achieve an even spread between London, Birmingham and South East	Aim to achieve an even spread between London, Birmingham and Northampton
Total	14	15	14

⁷ Only customers with at least one child under five were included in this sample as it is a characteristic known to be associated with a high risk of not reporting new partners to HMRC. Other risk factors include being on the highest tax credit award tier and being a lone parent.

Appendix C: Topic Guide

HMRC- Tax Credits Customer Understanding of Reporting Requirements within the Tax Credits System

Topic Guide

Research aims

To explore;

- Claimants' understanding, awareness and views of the rules for reporting changes of circumstances, specifically a new partner to the tax credits system.
- Claimants' behaviour in, motivations and barriers to, reporting relationship formations.
- Claimants' experiences of HMRC compliance processes which identify high risk tax credits customers who have an undeclared partner and amend their award accordingly.

1 Background

- About the research.
 - HMRC is interested in exploring their understanding, experiences, views and opinions – both positive and negative - of reporting changes in circumstance so that HMRC can improve customer awareness in the future for claimants of tax credits
- Commissioned by HM Revenue and Customs (HMRC) - the government department responsible for tax credits, formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB - an independent research agency working on behalf of HMRC
- Length of interview – 1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that a claim for any current or future Tax Credit will not be affected in any way
- Explain that this is a piece of research and not part of the Tax Credits process. Claimant will need to inform HMRC about any changes in their circumstances which may have an impact on their claim; this will not be done by the researcher as a result of the interview

2 Household and Tax Credits Profile (5 mins)

- Household composition
 - Number in household; who are they
 - Number of children, age(s)
- Employment status
 - What sort of work do they do
 - How long have they been working at their present job
 - Part time / full time, self employed
 - How many hours a week do they work
 - Stability of working pattern
- Housing
 - Renting (local authority, housing association or privately), an owner occupier or another arrangement
- Explore what tax credits they are claiming
 - PROBE BUT DO NOT PROMPT for:
 - Child Tax Credit;
 - Working Tax Credit;
 - Childcare Element of the Working Tax Credit;
 - Disability Element of the Working Tax Credit;
 - Disability Element of the Child Tax Credit.
 - NOTE: CLAIMANTS MAY NOT DISTINGUISH BETWEEN THE DIFFERENT TAX CREDITS AND THEIR ELEMENTS – PLEASE EXPLORE THEIR UNDERSTANDING USING THE TERMINOLOGY/LANGUAGE THEY USE.
 - How long have they been claiming these
- Explore whether benefits are being claimed;
 - Income Support
 - Housing Benefit
 - Jobseeker's Allowance
 - Incapacity Benefit/ Employment and Support Allowance (ESA)
 - Disability Living Allowance
 - Social Fund
 - Council Tax Benefit
 - Attendance Allowance
 - Carer's Allowance (formally known as Invalid Care Allowance)
 - Other (please specify)
 - None of the above.
- If grouping benefits and tax credits together, explore how they know who to report changes to
- Explore preference of ways to communicate with HMRC;
 - Probe on
 - E-mail
 - Face to face
 - Telephone – probe whether have landline or a mobile only household
 - Any help from friends, job centre plus etc
 - Reasons for preference
 - Barriers to communication/engaging with HMRC e.g. English as a 2nd Language, busy day-to-day schedule, disability, literacy/numeracy, cost of calling helpline (e.g. from a mobile) and/or ease of getting through to an advisor, long queues etc when calling TC helpline
 - How do they normally find out information about tax credits

3 Approach to Household Financial Management (Briefly – this section is to provide a context only) (10 mins)

Management of general finances

- How do they deal with managing and budgeting the household finances
 - Who is generally responsible for household finances
- How good do they think they are with their finances
 - Do they generally pay bills on time etc
 - Do they think they are dis/organised, too busy to keep on top of things, forgetful, prompt in payment etc. PLEASE EXPLORE IN DETAIL.
 - Obtain brief description about whether they use a 'common pot' for their earnings and tax credits, do they use 'cash pots' or different bank accounts to allocate money for different purposes, do they receive income from any other sources (probe sensitively around income from partners as may be recruited as lone parents)
- How do they keep track of their money
 - Explore whether and how they keep track of their money; such as a monthly review of bank statements; use a diary etc. to write down transactions; software such as MS Money, etc.
- How would they describe their overall approach to dealing with household finances
 - Explore whether their financial management is proactive or reactive

Management of tax credits specifically

(Note: respondent may not know very much about tax credits so handle sensitively)

- How they first became aware of Tax Credits
- Knowledge of Tax Credits before claiming
- Overall experience of Tax Credits
- How do they use tax credits
 - Views about how much tax credits contribute to the financial well-being of the household
- How would they describe their overall approach to dealing with tax credits
- How dependent are they on their tax credits award
 - Explore whether their tax credits award is significant to paying for everyday necessities or whether it is a welcomed 'extra' for luxury goods for example.

4 Reporting changes in personal circumstance (10 mins)

- **AWARENESS OF:**

- Need to report changes in circumstances
- What changes are they aware of that need to be reported

UNPROMPTED

- **Hierarchy in which changes should be reported.**
RESEARCHER TO INTRODUCE SHOW CARDS OF 'CHANGES', CHECK AWARENESS OF EACH AND THEN ASK RESPONDENT TO RANK THEM IN ORDER OF HOW QUICKLY THEY WOULD REPORT EACH CHANGE TO HMRC (QUICKEST TO REPORT AT TOP)
 - number of adults in household
 - e.g. partner not living there for a substantial period - prison/hospital/abroad
 - relationship breakdown
 - new partner
 - responsibility for child/ren
 - e.g. child no longer in household – prison/care/living with other family member or gaining child through fostering
 - eligibility of child for support
 - e.g. if child no longer in full-time ed or training/claims own support/has own child
 - amount or cost of childcare
 - working hours (no longer working at least 16 or 30 hours)
 - UK residence (leaving the UK permanently or temporarily)
- Explore the reasons for their ranking order
 - Why would they report some sooner than others
 - Likelihood of HMRC finding out
 - Impact on tax credit
 - Awareness of the need to report
 - Reporting change not being top of mind at the time
 - Is it mandatory to report the change of circumstance
- **Timeframes of reporting**
 - How soon changes need to be reported
 - Spontaneous awareness of period; PROBE: what do they think the rules are currently? Awareness of on-going responsibility to report changes or leave until renewal period?
 - How did they find out about these timeframes; PROBE; from HMRC (helpline, website, leaflets etc), based on knowledge of other benefit rules, other sources
 - In an ideal world, how long do claimants think they should be given to report changes of circumstances after they happen? PROBE: Reasons for this; should there be any differences depending on the change being reported.
- **Explore whether they have reported any changes in the past**
 - Which changes have they previously reported to HMRC
 - Reasons for reporting
 - Experience of reporting
 - How long was it before reporting change to HMRC
 - Reason for any delays in reporting

- How change was reported
 - Positive/Negatives of experience of reporting
 - Whether experience has had an affect on future reporting behaviour
 - Are there any changes included in the hierarchy that they should have reported but haven't, why? N.B. EXPLORE SENSITIVELY
 - If reported relationship breakdown PROBE:
 - When?
 - How – did they complete a single claim over phone and just have to sign form, or did they have to report change over phone then get sent a form to complete and return?
 - How long did process take?
 - How long before their payments started again?
- **Explore understanding of implications of non reporting Spontaneous at first then probe on;**
 - Overpayments – awareness of how overpayments get re-paid to HMRC
 - Underpayments
 - Penalties
 - Renewals – awareness of the renewal period (April-July), understanding of the renewal process, what happens if they leave reporting a change until the renewal process.

5 The definition of a relationship (15 mins)

- Understanding of definition of relationship
 - What do they think HMRC counts as a relationship when it comes to claiming joint tax credits

Task 1

Review Tax Claim form – definition of a couple

Couples

Couples must claim tax credits jointly. You are part of a couple if you are

- married and living with your husband or wife, or
- in a civil partnership, or
- living with someone as if you are married or in a civil partnership.

- Explore interpretation of:
 - Couples

- Civil partnership – PROMPT; do people understand the meaning of this? Do they regard same sex couples as requiring a joint claim. If not, why?
- Living with someone as if you are married or in a civil partnership
- Explore relationship history – have they made any joint claims in the past, number, length of previous relationships, when and why they decided it was time to report relationship.

- Explore the understanding of when to report a relationship to HMRC.
 RESEARCHER TO INTRODUCE THE FOLLOWING SCENARIOS ON FLASH CARDS AND GET RESPONDENT TO SORT THEM INTO 3 PILES. ONE OF RELATIONSHIPS THAT THEY THINK SHOULD BE REPORTED TO HMRC, ONE PILE THAT THEY DON'T THINK NEED TO BE REPORTED TO HMRC AND ONE PILE OF ONES THEY ARE NOT SURE ABOUT.

Task 2

Relationship scenarios

Example 1

Chantelle and Dean have an on/off relationship. They often argue and Dean leaves home for a while, sleeping on his Mum's sofa, before they make up and he returns. Whilst he is away Dean continues to pay the bills as he did before and Chantelle expects her and Dean will get back together.

Example 3

Mary and Derek have been a couple for a few months. Derek works as a long distance lorry driver and is away for several days at a time, when he sleeps in his cab. Derek generally returns to Mary's house when he is not working. He sometimes gives Mary money towards the food shopping and lets Mary use his car whilst he is away.

Example 4

Yasmin is engaged to Omar and they spend a lot of time together at each others house and generally eat meals together. Omar spends a few nights a week at Yasmin's house but they each pay the bills for their own homes, although Omar also pays for holidays and nights out. They both pay money into a joint bank account they opened to save for their wedding.

Example 5

Lucy and Gary's relationship has broken down but Gary is staying at the house until he finds somewhere new to live. They have separate bank accounts and eat meals and socialise separately. They have agreed to share household costs and chores.

Example 7

Rosie and Mohammad have been dating for three weeks, they enjoy each others company and may see each other once or twice a week, sometimes they go to the cinema, for a meal or to watch a theatre show. They never stay over each others' houses and each person pays bills for their own homes.

Example 8

Gail and Ivan have been going out a while and he now spends most of his time at Gail's house, he eats meals with her and they socialise together. He helps with DIY and sometimes gives the children pocket money and takes them to school. Most weeks he returns to his Mums for a night to pick up his post and see his family and friends

- Discuss their reasoning
 - Explore which elements they think make a relationship
 - Reasons for relationships that decided don't need to be reported
 - Which elements cause confusion

- **RESEARCHER TO INTRODUCE 'PICK AND MIX' REALTIONSHIP DESCRIPTIONS AND ASK RESPONDENT TO USE THEM TO CREATE A RELATIONSHIP THAT**
 - **REQUIRES A JOINT CLAIM**
 - **REQUIRES A SINGLE CLAIM**
 - **THEY ARE NOT SURE ABOUT WHICH CLAIM TO MAKE**

NB. Respondents can use more than one description per heading.

Probe on:

- **For joint claims - Identify if one element alone is enough to identify a relationship that requires a joint claim or if it is a mixture of criteria. If it's a mixture, what are the most important criteria**
- **For single claims - Explore what criteria would have to change to make the relationship warrant a joint claim.**
- **For unsure – why are they confused about these criteria**

PROBE ON criteria used by HMRC explore their meaning and relevance:

- Living in the same household
 - How frequently a partner spends the night
 - Keeping personal items at the house
 - Maintaining their own home
- Stability of relationship
 - Length of relationship
 - Exclusivity of relationship
 - Volatility of relationship
 - Sharing of responsibilities
- Financial support
 - Joint accounts or investment
 - Contributing towards bills
 - Paying for social activities
- Dependent children
 - Pocket money
 - Take them places e.g. school, dentist
 - Joint responsibility
 - Contributing to or providing childcare
 - Provides financial support
- Public acknowledgement
 - How frequently they socialise together
 - Do they share the same friends

- Do childcare providers treat them as a couple
- Share surname

Note to researcher: Below are the guidelines used by HMRC to define each criterion, these are subjective and used together to build an idea of the state of a relationship:

- Live in the same household most of the time, although one or both partners may also spend some time in another household or absent, for example when working away.
- Have a stable relationship, although may still be considered a couple if they have frequent breakdowns in the relationship, have a “trial separation” or when there is a likelihood of reconciliation.
- Financially support each other, usually but not always, by pooling money or each taking responsibility to pay for particular household bills, for food or motor costs.
- If there are any dependent children, you share responsibility for looking after them.
- Act as a couple, such as socialising as a couple or family, and be treated as a couple by other people.

6 Experiences of reporting new partner (15 mins)

Note to researcher: This section is divided into three parts;

- 6a) Customers who had reported a new relationship – Have reported a new relationship to HMRC
- 6b) Customers who had not reported a new relationship – Have been identified through a compliance check carried out by HMRC as having not reported a new relationship
- 6c) Customers who had not formed a new relationship – Identified as such on the basis of a risk profile

6a Customers who had reported a new relationship to HMRC i.e. have been identified as having reported a new relationship to HMRC

- Explore triggers of reporting their new relationship to HMRC
 - At what point did they report their new partner to HMRC; explore nature of relationship at the time

- **Create a timeline of relationship.**
 - Identify circumstances before reporting change
 - (specifically confirm how long each circumstance existed before reporting and why/why not this affected their decision to report the relationship)
 - PROBE:
 - if any financial support towards bills/rent/childcare;
 - responsibility of children and role in their lives;
 - how long they were together before started staying in same household;
 - did they start by staying at each others houses on a regular basis before moving in permanently;
 - public acknowledgement of relationship before reporting.
 -
 - Reasons for reporting changes to HMRC when they did, PROBE on;
 - What prompted it – saw TV ad, common sense, told by friend, check with HMRC/job centre etc
 - General approach to Tax Credits, any previous experience of reporting other changes, awareness of rules, timeframes
 - Interpretation of relationship
 - Any reason for delays
 - Awareness of possible changes to award before reporting
 - Awareness of possible implications of not reporting change/late reporting e.g. overpayments
 - Was there any planning involved e.g. timing of reporting change

- Time lapse between relationship and reporting
 - Reasons for this, probe on any potential barriers;
 - Understanding of the definition of relationship
 - Busy schedules
 - Concerns/issues with reporting changes e.g. paperwork
 - Concerns about impact on other benefits etc
 - Difficulty contacting HMRC e.g. busy helpline
 - Responsibility e.g. presumed job centre would inform HMRC, didn't realise they couldn't just inform HMRC at time of renewal period

- Outcome of reporting changes
 - On award – how much it changed, were they surprised by the amount, did they understand why it had changed?
 - On household – how did it impact on household finances?
 - If any late reporters – did they realise they were late, were they aware of the implications, did they understand why they got an overpayment or penalty

- Overall experience of reporting
 - Positives and negatives
 - Would they know when to report change in the future

***6b Customers who had not reported a new relationship to HMRC
i.e. have been identified through a compliance check carried out
by HMRC as having not reported a new relationship***

Note to researcher: PROBE THIS SECTION SENSITIVELY "We understand that HMRC talked to you about the circumstances of your claim and one of the things that came up was whether you had a new relationship. Is it ok if we talk a bit about that and the reasons for you not reporting your partner and also your views about the compliance check?"

- Personal Relationship
 - Dynamics of relationship at the time of the compliance check – did they regard themselves as in a relationship?
- **Create a timeline of relationship.**
 - Identify circumstances before check
 - (specifically confirm how long each circumstance existed before reporting and why/why not this affected their decision to report the relationship)
 - PROBE:
 - if any financial support towards bills/rent/childcare;
 - responsibility of children and role in their lives;
 - how long they were together before started staying in same household;
 - did they start by staying at each others houses on a regular basis before moving in permanently;
 - public acknowledgement of relationship.
 - Reasons for not reporting relationship (*PROBE VERY SENSITIVELY*)
(*If possible link in with discussion of scenarios*)
- Identify barriers to reporting
 - General approach to Tax Credits/finance
 - Day to day schedule
 - Understanding and interpretation of the definition of relationship used by HMRC
 - Concerns/worries with reporting e.g. paperwork etc
 - Previous experience with HMRC
 - Difficulty contacting HMRC e.g. helpline busy
 - Concerns about impact on other benefits
 - Responsibility e.g. presumed job centre would inform HMRC, didn't realise they couldn't just inform HMRC at time of renewal period
- Understanding of consequences of not reporting before the compliance check took place
 - Awareness of possible implications of not reporting change – overpayments, penalty fees, reduction in award
- Views of compliance check

- General views of compliance check
- Understanding of how the outcome was decided
- Understanding/confusion over differences in interpretation of relationship used by customer compliance officer
- How useful the experience was in terms of future reporting
- Outcome of compliance check on;
 - Tax Credits Award – after single claim stopped did they set up a joint claim, how they coped with paying any overpayment or penalty.
 - If they set up a joint claim - on award – how much it changed, were they surprised by the amount, did they understand why it had changed?
- On household – how did it impact on household finances?

6c Customers who had not formed a new relationship i.e. identified as such on the basis of a risk profile

NOTE TO RESEARCHER: this respondent may be in a relationship that they have not reported to the HMRC. If the respondent comments on a relationship they may be in or a partner they may have please try and probe, in the most sensitive way possible, the criteria of the relationship (see part five of interview) and why they have not reported the change of circumstance to HMRC. Please remember we are not asking you to make your own assessment, it is only if the information is volunteered that further probing should take place.

PLEASE NOTE: if the respondent is worried or anxious about talking to you about such an issue, please remind them that it is completely confidential and none of the information about their claim specifically will be passed onto HMRC’.

Scenario based exploration of when to report changes in household circumstance

- How confident are they that they would know when to report a new relationship to HMRC
- Identify potential barriers to reporting
 - General approach to Tax Credits/finance
 - Day to day schedule
 - Understanding of the definition of relationship
 - Concerns/worries with reporting e.g. paperwork etc
 - Previous experience with HMRC
 - Difficulty contacting HMRC e.g. helpline busy
 - Concerns about impact on other benefits
 - Responsibility e.g. presumed job centre would inform HMRC, didn't realise they couldn't just inform HMRC at time of renewal period

- Understanding of consequences of not reporting
 - Awareness of possible implications – overpayments, penalty fee

- Potential outcome of reporting changes of circumstances on;
 - Household
 - Tax Credits Award

- Explore potential triggers to reporting
 - General approach to tax credits/finances
 - Awareness of when they are in a relationship that must be reported to HMRC
 - Awareness of the implications of not reporting change
 - Awareness of compliance checks

7 Support/ Strategies required to fulfil Tax Credit responsibilities (5 mins)

RESEARCHER NOTE: PLEASE ENSURE ALL ANSWERS REFER TO REPORTING RELATIONSHIP CHANGE ONLY.

- Summarise key triggers and barriers to reporting a new relationship
- Explore ways in which HMRC could improve the Tax Credits system when it comes to reporting a change in partner
PROBE ON;
 - Process of reporting change – forms, helpline, face-to-face
 - Official Definitions (refer to Section 6)
 - Use of scenarios
 - Communication

- Any other suggestions

Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HMRC about any changes in their circumstances which may impact on their claim.

Thank Participant and Close Interview

Pick and Mix

LIVING	FINANCES	CHILDREN	SOCIAL	STABILITY
1. SPEND 7 NIGHTS A WEEK TOGETHER	1. CONTRIBUTES TOWARDS RENT/MORTGAGE	1. TAKES CHILDREN TO PARENT TEACHER MEETINGS/APPOINTMENTS	1. SHARE THE SAME FRIENDS	1. NO OTHER RELATIONSHIPS AT THE SAME TIME
2. SPEND 4-6 NIGHTS A WEEK TOGETHER	2. CONTRIBUTES TOWARDS HOUSEHOLD BILLS	2. GIVES POCKET MONEY	2. FREQUENTLY SOCIALISE TOGETHER	2. BEEN TOGETHER WEEKS
3. SPEND 1-3 NIGHTS A WEEK TOGETHER	3. CONTRIBUTES TOWARDS FOOD BILLS	3. CONTRIBUTES TOWARDS CHILDCARE COSTS	3. FAMILY DAYS OUT	3. BEEN TOGETHER MONTHS
4. RARELY/ NEVER SPENDS THE NIGHT	4. PAYS FOR/TOWARDS HOLIDAYS	4. BABYSITTING	4. CHILDCARE PROVIDERS REGARD AS A COUPLE	4. BEEN TOGETHER YEARS
5. KEEPS PERSONAL BELONINGS AT THE HOME	5. PROVIDES OCCASSIONAL FINANCIAL SUPPORT	5. DOES NOT CONTRIBUTE FINANCIALLY FOR CHILDREN AS THEY ARE FROM PARTNERS PREVIOUS RELATIONSHIP	5. SHARE SAME SURNAME	5. NO PERIODS OF SEPARATION
6. SHARE HOUSEHOLD CHORES	6. PAYS FOR NIGHTS OUT	6. SHARES RESPONSIBILITY FOR DISCIPLINING CHILDREN	6. FRIENDS REGARD AS A COUPLE	6. NO RECENT ARGUMENTS
7. DOES NOT HELP AROUND THE HOUSE	7. HAVE JOINT BANK ACCOUNT	7. HAVE CHILDREN TOGETHER	7. RARELY SOCIALISE TOGETHER	6. OCCASIONALLY SEPARATE DUE TO ARGUMENTS
8. OFTEN STAYS WITH FRIENDS/RELATIVE	8. HAVE SEPARATE BANK ACCOUNTS	8. CONTRIBUTES FINANCALLY TO SUPPORT CHILDREN	8. DON'T EAT TOGETHER/COMMUNICATE AT HOME	8. SHARE RESPONSIBILITIES
9. HAS OWN HOME	9. DOES NOT PAY TOWARDS RENT/MORTGAGE			
	10. HAS OWN HOME FOR WHICH THEY STILL PAY SEPARATE BILLS			

Appendix D: Experiences of claiming tax credits and other benefits

Overview of experience of tax credits

This section provides an overview of customers' experiences of claiming tax credits in relation to five elements: reasons for claiming tax credits; how tax credits are used; awareness of what changes in circumstance to report to HMRC; when to report changes in circumstance and an overview of other benefits that are being claimed.

Reasons for claiming tax credits

All customers who participated in the research were registered with HMRC as having at least one child, and were therefore claiming Child Tax Credits. Customers who were in either full- or part-time employment were also in receipt of Working Tax Credits.

The motivation to apply for tax credits initially was generally triggered by two main circumstances:

- A low household income; or
- A new child.

Prior to an initial claim, customers were often introduced to the tax credits system and were provided with initial information through one of three support agencies; Job Centre Plus; friends or family who were already claiming tax credits or an employer.

How tax credits are used

Tax credits generally played a significant role in the financial upkeep of the family and the household. Reliance on tax credits was a common characteristic amongst all customers; a higher dependency on tax credits was characterised by a low household income. Generally tax credits were allocated to cover specific costs each month. However, there were clear differences between types of customers and the types of household expenses their tax credits would contribute towards.

Customers with a higher income e.g. couples where both individuals were in employment, generally viewed tax credits as a top-up to their income and as such their tax credits were used to meet their children's specific needs, for

example; children's clothing, food, childcare, outings etc. Those with a lower income relied on their tax credits to pay for more general household expenses. For example tax credits would often be essential for rent or mortgage payments, or contribute towards the household utility bills, mobile phone bills, landline telephone bills and food for the whole family.

Overview of other benefits being claimed

Overall, customers were generally claiming benefits through the Department for Work and Pensions (DWP) in addition to the Tax credits they claimed through HMRC. Benefits that were being claimed are as follows:

- Income support
- Housing benefit
- Council Tax benefit
- Child Benefit
- Job Seekers Allowance
- Incapacity Benefit

Housing benefit was the most commonly claimed benefit, with more often than not joint claims of income support and council tax benefit being made. Customers who had not reported a new relationship to HMRC were least likely to be claiming any other benefits.