



Research report

HMRC Digital Solutions

Online PAYE customer research

Digital Solutions Programme

18 October 2013

Online PAYE Customer Research***About the HMRC Digital Solutions Programme***

The Digital Solutions Programme is part of the Personal Tax Change Portfolio. It is key to the successful delivery of HMRC's Digital Strategy as it will deliver secure online digital solutions that cut costs, reduce fraud and error, and improve the customer experience.

The Digital Solutions Programme will deliver a series of new or improved services. These will transform the way we interact with our customers online and open up digital services to new customer groups. The range and quality of online services available to HMRC's customers will reduce the need for them to contact us using other channels. By making things easier for our customers, the digital solutions introduced will reduce telephone contact, post, manual interventions and processing.

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Behavioural Evidence & Insight Team

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Research requirement (background to the project)

This report summarises the findings of a qualitative study amongst Pay As You Earn (PAYE) customers to test and optimise the design and delivery of a new online PAYE service, as well as to explore reactions to a new approach to identity assurance.

In November 2010 Minister for the Cabinet Office Francis Maude announced the Government's intention to migrate as much contact as possible between citizens and the State to online channels and close the more costly channels, thereby moving to a 'Digital by Default' position.

To support the Government's 'Digital by Default' strategy, the HMRC Digital Solutions Programme (DSP) has been set up to develop an online service which allows all customers to transact with HMRC digitally.

HMRC already has a mature and successful online service for business customers but HMRC will need to change its approach to developing digital services if it wants to expand the services available.

Under the existing online service, customers log in to HMRC services using a Government Gateway User ID and a self-selected password. These are linked to the right HMRC record through the reference number that we give them. As there are only a limited number of online services available to individual customers, HMRC continues to support the processing of paper, which is both resource intensive and expensive to operate. To broaden its online offer, HMRC must adopt the Cabinet Office model for Identity Assurance (IDA) covering design, standards, and consistency with industry best practice for security, and under which users will have one or more private sector identity providers who are able to verify the user's identity to government standards. This will enhance the security of HMRC online services from the Government Gateway and enable the expansion of online services.

Research was commissioned to address gaps in understanding around attitudes to identity assurance and to inform and optimise HMRC's design and delivery of their digital services by establishing firstly what features and benefits will make them attractive to customers and secondly what might make users opt out of using it.

By far the largest group of customers who do not currently have transactional digital services available to them are PAYE customers (circa 39 million). The Digital Solutions Programme intends to focus on PAYE customers first, as tax code queries currently create over four million calls to HMRC contact centres when many of the questions could be resolved quickly and easily online. The research therefore focused on PAYE customers, particularly those with complex and changing circumstances.

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The overall objectives of the research were to:

- explore customer reactions to the new approach to identity assurance and explore reactions to the use of private sector identity providers
- test customer reactions to the Online PAYE proposition, features and benefits, and ways its design and delivery can be optimised
- understand the digital service needs of PAYE customers and find out how to incentivise them to contact us digitally, as well as address any barriers to adoption
- explore any impacts of the proposed new service on customer attitudes, behaviours and experience, and identify how any undesired impacts can be mitigated
- gather insight to inform the communication messages and channels for the roll out of the Online PAYE pilot
- generate key learning and insights that can be fed into subsequent pilots - for businesses, agents and other customer groups - as well as help inform the wider migration strategy

When the research took place

The research took place between 20th February and 11th March 2013.

Who did the work (research agency)

The research was carried out by Jigsaw Research

Method, Data and Tools used, Sample

A qualitative approach was adopted. A total of 10 focus groups and 8 individual depth interviews were carried out, split between a pilot and a main stage.

The sample was deliberately slanted towards customers with relatively complex tax affairs on the basis that these customers are likely to have the greatest needs in terms of help and contact.

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Main Findings

Complexity of tax affairs allied with level of knowledge of the tax system drives contact with HMRC. This includes conventionally complex financial arrangements (customers in Self Assessment (SA) and PAYE, customers with Benefits in Kind, customers with income from investments etc.) but changing circumstances also create complexity in customer tax affairs. For example, going in and out of work, having more than one job at a time, changing jobs or income that varies over time (due to changing shift patterns, for example). These varying types of complexity can result in the customer receiving either under or over payments, being put on an Emergency Tax code and receiving numerous Coding Notices (P2), all of which have a high likelihood of causing confusion and therefore resulting in a large volume of calls to HMRC.

In addition customer knowledge about tax varies widely. Many PAYE customers do not fully understand things like:

- how Coding Notices or tax on Benefits in Kind work,
- how allowances and reliefs are allocated,
- the dividing line between business and personal expenses and allowances,
- the triggers for having to complete an SA Tax return,
- what and how Capital Gains and Inheritance Tax work.

Many find HMRC terminology confusing and rely on colleagues and family/friends for informal, and often incomplete, information and advice.

Many PAYE customers also currently rely on their employer to operate the PAYE system on their behalf, leading them to assume that the overall responsibility for their tax affairs also lies with their employer. This means they lack motivation to engage more fully with the tax system.

Most interaction with HMRC is carried out by telephone and customers report that the current service offered via the telephone is slow and painful, but reasonably effective. Experiences of long call waiting times are common amongst those who have tried to phone HMRC, but when they get through, customers generally find that staff are very helpful and that their query is usually resolved or actioned. Some customers however have had very poor experiences of trying to contact us and there is a general perception of HMRC having a high error rate when resolving issues by phone. Despite this, and related back to the fact that many customers' tax knowledge is incomplete, customers tend to cling to the idea that an element of personal contact is necessary to resolve their individual tax queries and issues.

At the same time, customers are generally quick to acknowledge that a significant amount of their 'life admin' is now done online, including (for most) banking, shopping around for financial products, dealing with utilities, ordering a new passport, renewing car tax disc etc, and that it is now quicker, easier and more convenient to do these things online. Any previous nervousness about security of personal and credit card details has largely been allayed as online delivery has become more secure and more mainstream. There is a

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general acceptance that the world has moved and will continue to move in this digital direction and for the most part, customers are relaxed about this.

Customers were able to spontaneously identify numerous ways in which an online PAYE service could be helpful to them. Examples of potential online services fell into four categories included:

Information

- Tax calculators (tax implications of promotion, new job, maternity leave, additional job, Benefit in Kind etc.)
- How to get tax rebate/repay tax/get off Emergency Tax
- Interactive check list for Self Assessment
- Basic explanation of how tax system works
- Glossary of terms and FAQ
- What happens re UK tax if move abroad

Checking/querying

- Tax codes – how to read/understand
- Tax codes – how to check if correct
- Tax codes – what to do if not correct

Organisation/notification

- A 'filing system' i.e. somewhere to file all tax related correspondence/documentation from HMRC
- Ability to let HMRC know about a change of circumstance

Minimising tax, maximising income

- Explanations of allowances and expenses
- Eligibility for tax rebates
- Available benefits (with a link to the Department for Work & Pensions) and tax credits
- Other schemes available (travel card loans)
- Childcare vouchers – how the scheme works/implications

This last category was particularly interesting because it demonstrated how, in the taxpayer's mind, the relationship with HMRC is reciprocal. Customers are happy to take responsibility for their affairs, keep HMRC informed about their circumstances and comply with their tax obligations, but feel that in return HMRC should be more open and transparent about what customers might be entitled to.

Only the least engaged customers who are also resistant to using online services were unable to spontaneously generate ideas for a potential PAYE online service.

Many of the online service ideas/prototypes that were subsequently tested were similar to those spontaneously suggested by customers, and reactions continued to be positive.

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Responses revealed a strong requirement for online services to be as personalised as possible, as customers do not find generic information easy to understand or to apply to their own circumstances. Similarly, a level of help should be built in around the online tools and services to ensure that customers are not put off by language or processes that are unfamiliar. And customers need reassurance that other forms of support (critically telephone support) will still be available.

In terms of designing, delivering and promoting the new digital service the research shows that the benefits that are most critical and persuasive are convenience, time saving, personalisation and control.

Customers are very positive about the idea of being able to deal with tax when and where it is convenient to them and on a range of devices and platforms. It will be important to clearly set out the ways in which digital interaction will be quicker than interaction by phone and mail (e.g. notifications auctioned/effective immediately) as this is not immediately obvious to most customers.

Control is a compelling hook for those with more complex tax circumstances. Whereas PAYE customers with relatively straightforward tax affairs feel no need to assert control (their employer largely takes care of things), those with more complex affairs would welcome a digital service that enabled them to take more control of their tax affairs. A major barrier to taking control is a lack of understanding by the taxpayer, so it will be important to show how improved tax knowledge can be empowering and can lead to practical customer benefits.

As discussed earlier, customers tend to feel that even though their situation is unlikely to be unusual (for example, having more than one job, taking time out to have a baby etc.) their tax circumstances (history, employer, income level etc.) are unique to them. This, combined with incomplete tax knowledge, makes them wary of generic information and help. If they perceive the new digital service to be generic this will be a barrier to them using it. But if they are persuaded that it is tailored to them (or able to take their specific circumstances into account) this could be a significant hook. Examples of tailored services could include a personal account (with individual log on access), the ability to view their personal tax history, an online filing cabinet containing their documents, records, correspondence with HMRC and tools/calculators that work on the basis of personalised information.

Communication supporting the introduction of the PAYE online service should stress wider societal benefits, such as:

- A more efficient and effective service to all taxpayers
- Reduced environmental impact
- Reduced error rate
- Less fraud.

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Identity Assurance

Most customers are now comfortable proving their identity in order to transact online. They are familiar with multi-stage security procedures associated with online payment (Verified by Visa etc.). However, the idea of a third party organisation being used as part of the identity verification process was new and relatively polarising. Whilst some were open to the idea and accepted it once it had been explained, others were opposed as they thought it felt as if HMRC was trying to abdicate responsibility in the event of a security breach or lapse. They felt it also raised concerns about how secure the service would be, and raised questions and concerns about data merging or sharing between HMRC and the third parties involved. Much rested on who the IDA 'trusted partners' were going to be. Customers felt that in order to be acceptable they needed to have a security track record and credentials equivalent to the major UK high street banks.

Overall IDA is a new and difficult theoretical concept to explain, but customers' concerns will be relatively easy to address with more information about accreditation, reassurance about information sharing and about the fact that HRMC will maintain full responsibility for personal data security etc. The research also showed that the concept is easier to grasp when shown as part of an online process than in theoretical isolation (see below).

PAYE online prototype

The final part of the research was a test of a specific PAYE notification process relating to Benefits in Kind. Customers were shown mocked up screens of the potential online process for informing HMRC about a new or a change to a company car.

Overall the prototype tested well. The prototype showed the notification process to be relatively straightforward and user friendly and the identity assurance element of the process was felt to be both well streamlined and non onerous.

Suggestions were made for improvements to the process, as follows:

- More explanation of the customer benefits of notification
- More information about how quickly the notification will be actioned by HMRC
- Clarification about whether or not the customer should also notify their employer or whether HMRC will do this
- More explanation about how the car tax is calculated (e.g. thresholds for different engine capacities, fuel types, CO2 emissions etc.)
- More information about what will happen after notification has been sent to HMRC
 - Does the customer need to do anything else?
 - When will the notification apply?
 - Should the Benefit in Kind be declared on an SA tax return?

The HMRC security questions gave a good level of reassurance about the security of the site and were felt to require information that was generally accessible to customers. However, customers found the subsequent IDA process confusing in combination with the earlier

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security questions. They did not understand why there were two separate security elements to navigate. As shown in the prototype most customers also felt that the IDA authentication questions were too simple (and therefore not sufficiently secure). They expected to be asked to enter letters/digits from a password to proceed.

The final screen showing a confirmation 'letter' from HMRC was popular as it provides the type of paper trail that customers seek (and lack in their telephone contact with HMRC).

Conclusions

Overall, customers are positive towards the concept of an online PAYE service. A combination of poor current service experiences, contact needs driven by changing circumstances and complexity of tax affairs, lack of tax understanding and comfort doing an increasing number of tasks online means that customers are open to trying a new online service.

Benefits in Kind are a good choice in terms of a pilot audience as they have the right combination of needs, online capabilities and motivation, to prompt them to use the system.

The IDA requirements tested are not felt to be too onerous for people who are confident and comfortable online.

The keys to the success of the online service are as follows:

- Customers will need to be confident that the service is secure and well delivered. Expectations are high due to other providers (financial services companies etc.) delivering excellent digital services nowadays. Poorly design and delivered digital services will not be used and, based on its track record of service delivery, some customers doubt HMRC's ability to get this right
- The digital offer should include a range of tools and services that meet customers' needs. Information alone is not enough, the service should also include calculators, notification capability, document storing facility etc.
- The service must be designed for the least capable (both in terms of tax and online sophistication) and from a customer, not an HMRC perspective. This means it must be jargon free, personalised to individual customers where possible, use consumer language, and provide built in help. Other channels must still be available and signposted as back up.
- The IDA part of the service must be designed to be clear (both in terms of purpose and process), reassuring and easy to navigate.

The digital PAYE service should reduce the number of queries and enquiries that go to employers, and as a result employers could become a powerful channel for promoting the service.