

Research report

Care and Support Employers – Forms Testing

Qualitative research with C&S Employers exploring perceptions of the new RTI system and responses to the draft RTI2 & RTI5 forms and RTI6 guidance.

Voodoo Research

May 2013

Behavioural Evidence & Insight Team

Care & Support Employers –Forms Testing***About Personal Tax Customer & Strategy***

Personal Tax Customer & Strategy works with colleagues in Personal Tax and across HMRC to help develop our approach to implementing the customer centric business strategy. We use customer insight to help Personal Tax design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- ensure that those who need help get the support they need, when they need it.

Personal Tax Customer & Strategy also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC

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Care & Support Employers –Forms Testing***Research requirement (background to the project)***

With reporting PAYE in real time (RTI) employers will tell HMRC about PAYE payments and deductions at the time payments are made to employees. Currently employers send HMRC information annually. This works well for people with a single, stable PAYE income. However working patterns are changing and where tax is collected incorrectly in-year; often HMRC cannot correct it until the employer makes their end of year return to HMRC. Over time, under RTI more people will pay the correct tax in-year.

From April 2013, all employers will be legally required to report PAYE in real time (RTI), unless HMRC has specified an alternative date. This means that information about all PAYE payments must be submitted to HMRC online each time a payment is made as part of the payroll process, rather than at the end of the year as it is now.

There will be a limited number of employers who will be exempt from filing online from April 2013, but they will be required to join RTI at a later date. One of these customer groups is Care & Support (C&S) employers.

Currently many C&S employers file their PAYE returns using the Simplified PAYE Deduction Scheme (SPDS). However, the Simplified PAYE Deduction Scheme (SPDS) will no longer exist under RTI so it will be mandatory for these employers to begin operating under the full PAYE system.

The majority of C&S employers currently file their PAYE returns on paper as their preference is for paper even if they have access to the internet: a minority already file online. Under RTI, C&S employers will have a legislative right to continue to file on paper although they can choose to file on-line if they wish.

The original intention was that all employers including C&S employers would join RTI in April 2013. However previous research highlighted that this vulnerable employer group would need additional support to make the transition as easy as possible and HMRC would need to develop effective paper forms and guidance to operate in tandem with the online process.

Subsequently, it was decided that C&S employers will **not** be required to join RTI until April 2014 enabling HMRC to fully test and refine the new RTI paper forms and relevant sections of the accompanying guidance. .

The forms tested were:

- The RTI 2, currently titled the “Quarterly Employee Payment Summary”- a form which employers will fill out every quarter to tell HMRC about each employee they have paid, started to employ, or stopped employing
- The RTI 5, currently titled the “Employer Payment Summary”- a form which employers will fill out to report a variety of circumstances to HMRC, including when a C&S employer has stopped operating as an employer

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- The RTI 6- guidance for employers on filling out the previous two forms

The objectives of this research wereto :

- ensure the RTI forms are clear, understandable and user friendly
- ensure the relevant sections of the accompanying guidance (supplied with the forms) are also clear, understandable and user friendly
- identify the specific needs of C&S employers to ensure that they are met, allowing a seamless transition to RTI minimising any burden on an already vulnerable customer group
- investigate how we could encourage those C&S employers who **are able** to move from paper to online, to use the online channel
- inform HMRC's approach to communicating with C&S employers. For example, applying any learning from the testing of the forms (tone, structure, language) to future communications to this customer group
- understand C&S customers preferred/suitable channel of communication (web, telephone, post, online, via 3rd party etc)
- understand C&S customers preferred/suitable method of communication (letter, website, leaflet, poster etc)

When the research took place

The fieldwork took place during March 2013.

Who did the work (research agency)

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Method, Data and Tools used, Sample

Eighteen face-to-face, depth interviews were conducted in home (each lasting 90 minutes) amongst Care and Support Employers. All respondents were responsible for submitting returns under the Simplified PAYE Deduction Scheme either on paper or online.

There was a spread of respondents in terms of number of employees, type of service employed and whether they were the actual recipient of care or a relative of the recipient of care.

The research took place across England, Scotland and Northern Ireland.

Main Findings

C&S Employer Base

3/E04, 100 Parliament St. London, SW1A 2BQ

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Broadly, there are three ‘types’ of C&S employer:

- ‘Only managing with help’: they require greatest amount of help from HMRC in order to fulfil PAYE responsibilities
- ‘Competent but occasionally confused’: generally coping but occasionally need assistance
- ‘Very competent and confident’: don’t find PAYE responsibilities complicated or burdensome

The most ‘vulnerable’ customers conform to one or more of the following:

- Less competent/confident financially in a broader sense (not just HMRC)
- Those who have more carers (tend to have greater physical disability that impacts on ability to fill forms) – hence ‘time poor’
- Those who employ carers on behalf of others (children/older family members) as well as providing unpaid care themselves – ‘time poor’

Not all C&S employers are ‘vulnerable’ – the majority of customers we spoke to did not appear to be ‘vulnerable’ in any meaningful sense, in the context of the change to RTI.

Response to RTI

Most employers are reasonably positive towards RTI – once they understand what it will entail.

Concerns about RTI are reduced once customers understand that the information they are required to provide is much the same as under the current system – it’s just the way that they provide this information that is changing.

Most customers only concern/complaint is that they will be telling HMRC ‘information they already know’. The RTI2 form in particular is felt to request a lot of ‘repeat information’ and there’s a risk that those with the greatest physical impairment (and the most carers) will be overburdened as a result.

Perceptions of online filing

Most customers are aware that filing online will be faster but they don’t necessarily see this as an advantage. Customers are less clear about other (more compelling) benefits: greater accuracy, increased security, time-saving etcetera.

Response to the forms and guidance

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Overall the forms and guidance work well and are seen as an improvement on existing HMRC forms. The design makes them look approachable and easy.

However a few areas cause comprehension problems, largely due to lack of clarity and need to be revised:

- RTI2 Part 3: ‘Unique ID number’ is potentially the most confusing part of the form and most fail to see why it’s necessary:
 - Some not sure how to assign a unique ID number and the guidance doesn’t give an example
 - Others confuse ID number with employee’s PAYE reference number
 - The guidance also makes reference to a ‘combination of letters and numbers’ when numbers alone felt to be simpler
 - More fundamentally, customers fail to see why they need to assign a number at all
- RTI2 Part 4:
 - “Earnings period” is unfamiliar terminology. The explanatory reference in RTI6 – “Enter the number of times you’ve paid your employee in this quarterly period” – is much clearer
 - ‘Week 1/Month 1’ is a tricky concept to explain and consequently a source of real confusion. Those unsure tend to guess and often opt for the ‘wrong’ answer. Existing guidance is not that helpful. It was felt that the guidance could be more directive: e.g. ‘We will tell you when to use Week 1/Month 1’?
- RTI 5
 - The main source of confusion is whether or not RTI5 needs to be completed/returned if customers tick ‘No’ for all Part 1 questions. The introductory sections on the RTI 5 are also a little ambiguous.