



Research report

Customer testing of the SA252 Letter

Qualitative research to SA252 letter variants

Prepared by Opinion Leader for Her Majesty's Revenue and Customs

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Customer testing of the SA252 Letter

About this paper

This research report has been written by Opinion Leader based on research carried out in March 2013. The views and findings are the authors' own and do not necessarily reflect those of HM Revenue & Customs (HMRC). The letters shown to participants during this research were not final and work continued on the development of these products after the research was completed.

Further information on the High Income Child Benefit Charge can be found at:
www.hmrc.gov.uk/childbenefitcharge

Contents

| | |
|-------------------------------------|---|
| Research requirement | 3 |
| Main Findings | 5 |
| When the research took place | 8 |
| Who did the work (research agency) | 8 |
| Method, Data and Tools used, Sample | 8 |

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Customer testing of the SA252 Letter

Research requirement

The Finance Act 2012 introduced a new charge on a taxpayer who has adjusted net income over £50,000 in a tax year, and is the higher earner in a household where either they or their partner are in receipt of Child Benefit. This charge, called the High Income Child Benefit Charge (HICBC) came into effect on 7 January 2013.

In October/November 2012 letters were sent out to customers earning over £48,000 and living at an address where Child Benefit was in receipt to make them aware of the High Income Child Benefit Charge (HICBC) and explain what action they needed to take.

Customers who are liable for the charge and opted to continue to receive Child Benefit need to register for Self Assessment (SA) in order to pay the charge. In order to remind customers of the need to register for SA if they haven't already done so, an additional reminder by way of the SA252 letter will be sent out in August 2013.

The SA252 letter is issued to Pay As You Earn (PAYE) higher rate taxpayers and taxpayers who have complex tax affairs who need to consider registering for SA to declare their income. The HICBC is now also one of the considerations for registering for SA.

Broadening the scope of the SA252 letter to include the HICBC message allows customer's to consider all the necessary criteria that result in the requirement to complete a SA return through one correspondence.

The SA252 letter will be issued in August 2013 and customers have until the 5th October 2013 to notify any liability to tax that they might have by registering for SA for the tax year ended 5th April 2013 to avoid any penalties.

The letter is a call to action and needs to get across four key messages to customers:

1. Check your tax code and report any changes required
2. Declare any changes to your income which you have not previously declared
3. Inform taxpayers that they may need to register for Self Assessment (SA) if they meet the criteria
4. To check if they are liable to the High Income Child Benefit Charge

Customer testing of the SA252 Letter

Research was required to help HMRC understand the most effective way of communicating these four key messages in the letter and determine whether the letter would prompt taxpayers to take the appropriate action. The research also explored the likelihood of customers contacting HMRC upon receipt of the letter and the channels they would be likely to use to do this.

- Two versions of the letter were shown to participants.
- The 'short' version included the HICBC message near the start and the second 'long' version included the message later in the letter.
- The order of showing the different versions, were rotated across the focus groups and depth interviews

Customer testing of the SA252 Letter

Main Findings

Comprehension

Participants who read the letters in their entirety understood which sections applied to them. They were clear about the instructions, and what they were required to do to find out if they needed to register for Self Assessment from the weblinks.

Both letters left some uncertainty about the consequences if people did not take the required action.

Participants were clear that they needed to contact HMRC if they thought that they were paying the wrong amount of tax. However not all participants made the link between over or under-paying tax and the need to have their PAYE tax code adjusted (in the longer letter).

There were some areas of the letters which participants either did not understand or that led to confusion. These are as follows:

- 1) Whether or not the list of reasons relating to people owing tax was exhaustive (in the longer version of the letter)
- 2) 'Relief in your tax code for payments you no longer pay' (in the longer letter)
- 3) 'Received interest as part of a mis-sold PPI compensation payment' (in the longer letter)
- 4) Why are people who have already taken action - opted in or out of the HICBC - receiving this letter (both letters)
- 5) Whether or not the £50,000 threshold referred to individual or household income (in the longer letter)
- 6) The time period that the letters relate to for reporting changes of circumstances is unclear in some areas
- 7) Whether people would always need to file a Self Assessment (SA) tax return or if they can just inform HMRC about the changes to their circumstances/income (both letters)

After reading the letters, participants were then shown the type of information that would be provided if they clicked on the weblinks in the letters. The web information about the High

Customer testing of the SA252 Letter

Income Child Benefit Charge (HICBC) was perceived to be comprehensive, covering the types of questions that participants had, or thought they would have, if they received the letter.

The information on the weblinks about Self Assessment was perceived to be useful and some participants were keen for more detailed information about circumstances where tax could be owed to HMRC or where HMRC could owe money to individuals, to be included in the letter.

Design & Layout

Participants typically felt that messages about the HICBC and changes to their tax circumstances being communicated together was confusing, and participants often questioned why the two messages were not communicated via two separate letters.

Participants reported a range of likely behaviour when receiving the letter. Some would read the entire letter (because it was from HMRC and they therefore thought it must be important), others would skim read it, and some would begin reading the letter and stop after the first few lines if they did not believe that it was aimed at them.

Participants with children and participants without children typically read different parts of the letter. Participants who had children, regardless of their income and whether the HICBC is applicable to them, typically thought the HICBC section was the only or most relevant section to them because they had children.

When reading the short version of the letter (where the ordering started with the HICBC then addressed changes to tax affairs second), participants without children often assumed that as the first section of the letter was irrelevant to them (because they do not have children) that the rest of the letter would also be irrelevant and would therefore discard the letter without reading the 'other tax issues' section.

Participants without children showed a strong preference for the information about tax codes to come first and be followed by the information about the HICBC.

Participants typically preferred the bullet point format to the paragraph layout as they perceived it to be easier to read and assimilate the information.

Participants expressed a strong preference for a one page letter. They felt that this was an ideal length and that having a longer letter could result in some recipients not reading both sides or not assimilating all of the information.

Customer testing of the SA252 Letter

Most of the information on the letters was perceived to be clear, especially information in bold or underlined, as this initially caught the reader's attention and made it obvious that this information was either important or could be used to signpost and direct the reader's attention.

Some participants felt that there was some information that was missing from the letters.

- 1) An explanation of the terminology used in the letter - information about what Self Assessment (SA) actually is
- 2) Detail of how to file a Self Assessment (SA) Tax Return

Some participants wanted more detail included within the letter, whilst others preferred having links to the HMRC website where more detailed information could be found, rather than adding more text to the letter and increasing its length.

Call to Action

Participants felt that both of the letters were fairly clear about what actions needed to be taken and by when. Participants were aware that they needed to get in contact with HMRC if their circumstances had changed. Some participants assumed that they should contact HMRC straight away if their circumstances or income had changed, however, others would have preferred a deadline or specific period of time to declare the change.

They also understood that they needed to register for Self Assessment if they had an income over £50,000, and were the higher income earner in a household where they or their partner were receiving Child Benefit payments, and that they needed to do this by the 5th October 2013.

Participants typically felt that phrases in the shorter letter were effective at driving action. Examples include 'don't delay, act now' and 'if you have not already done so, you must register for Self Assessment by 5th October 2013 to pay the charge'.

Participants typically felt that the language in the longer letter was neutral in tone which resulted in some participants perceiving the letter to be more for general information rather than a letter that required action.

Customer testing of the SA252 Letter

There was some confusion about whether or not people who have over or underpaid tax need to complete a Self Assessment form. Some participants thought that they would need to do this whereas others thought that they should contact HMRC to find out what they needed to do.

When the research took place

The focus groups and depth interviews took place between the 18th and 27th March 2013

Who did the work (research agency)

Both phases of the research were conducted by Opinion Leader.

Method, Data and Tools used, Sample

Focus Groups

A total of seven focus groups were conducted, each lasting one and a half hours with eight customers attending each focus group. Criteria were set on income and whether the taxpayer had children.

Within the focus groups with parents, there was a mix of parents where either:

- a) they or their partner were still receiving Child Benefit but are not registered for Self Assessment;
- b) they or their partner were still receiving Child Benefit but have registered for Self Assessment;
- c) they or their partner had opted out of receiving Child benefit as a result of the HICBC.

Customer testing of the SA252 Letter

The specification of the focus groups is as follows:

| Group | Income | Location | Criteria |
|-------|----------|------------|---|
| 1 | £42-49K | London | Either they or their partner receive Child Benefit |
| 2 | £50-59K | Leeds | Mix of participants who: a) they or their partner were still receiving Child Benefit but are <u>not registered</u> for Self Assessment; b) they or their partner were still receiving Child Benefit but <u>have registered</u> for Self Assessment; c) they or their partner had <u>opted out</u> of receiving Child benefit as a result of the HICBC. |
| 3 | £50-59K | Birmingham | Mix of participants who: a) they or their partner were still receiving Child Benefit but are <u>not registered</u> for Self Assessment; b) they or their partner were still receiving Child Benefit but <u>have registered</u> for Self Assessment; c) they or their partner had <u>opted out</u> of receiving Child benefit as a result of the HICBC. |
| 4 | £60+K | London | Mix of participants who: a) they or their partner were still receiving Child Benefit but are <u>not registered</u> for Self Assessment; b) they or their partner were still receiving Child Benefit but <u>have registered</u> for Self Assessment; c) they or their partner had <u>opted out</u> of receiving Child benefit as a result of the HICBC. |
| 5 | £42-49k | Leeds | No Children |
| 6 | £50-£59K | London | No Children |
| 7 | £60K+ | Birmingham | No Children |

Other criteria were also applied in recruiting participants:

- Maximum two per group where the partner receives the Child Benefit (in groups one to four only)

Customer testing of the SA252 Letter

Depth Interviews

Due to the relatively low incidence of people with complex tax codes, in addition to the seven focus groups we conducted seven in depth interviews specifically with taxpayers who had complex tax codes.

The specification of the depth interviews is as follows:

| Interview | Income | Location | Description |
|-----------|--|------------|--|
| 1 | £50-£59K | London | Have Children – opted out of receiving child benefit |
| 2 | £42 - £49K Partner earns £50 - £59K | London | Have Children – opted to continue to receive child benefit |
| 3 | £42K+ | London | Pensioner |
| 4 | £60K+ | London | Have Children – opted to continue to receive child benefit |
| 5 | £60K+ | London | No Children |
| 6 | Under £42K | Birmingham | Have Children |
| 7 | £42K+ | Birmingham | Pensioner |