

*Research report*

# High Income Child Benefit Charge (HICBC)

Qualitative research to test communication products.

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

June and August 2012

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## High Income Child Benefit Charge – testing of comms products

### *About this paper*

This research report has been written by Opinion Leader based on research carried out during June – August 2012. The views and findings are the authors' own and do not necessarily reflect those of HM Revenue & Customs (HMRC). The communication products on which this research was carried out were not final and work continued on the development of these products after this research was completed.

Further information on the introduction of the High Income Child Benefit Charge can be found at [www.hmrc.gov.uk/childbenefitcharge](http://www.hmrc.gov.uk/childbenefitcharge)

### *About Personal Tax Customer & Strategy (PT C&S)*

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 PT design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- serve willing and able customer at the lowest possible cost to them and us
- ensure that those who need help get the support they need, when they need it

PT C&S also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC

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## High Income Child Benefit Charge – testing of comms products

### *Research requirement (background to the project)*

Legislation was introduced in Finance Act 2012 that brought in a new charge, the High Income Child Benefit Charge, on a taxpayer who has an adjusted net income over £50,000 in a tax year, where either they or their partner is in receipt of Child Benefit. These changes took effect on 7 January 2013. If both partners have adjusted net income over £50,000, the partner with the higher income is liable for the new charge.

As part of the changes, Child Benefit customers can make an election not to receive the Child Benefit payments that they are entitled to. If they choose to stop receiving payments it removes the requirement to notify HMRC of chargeability and the individual is not liable for the charge.

This research was required to test prototype letters, aspects of accompanying guidance notes and changes to the Child Benefit Claim Form to determine:

- whether customers understood the changes
- whether they understood what they needed to do next
- how they might respond to the letter/notes
- the likely impact on levels of contact with HMRC

This research was conducted in two phases – an initial phase to test several different first drafts (conducted by Opinion Leader in June 2012), and then further research to test revised versions and additional leaflets (conducted in August 2012).

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**High Income Child Benefit Charge – testing of comms products*****Main Findings*****Phase 1 (June 2012)**

Ten main findings emerged from the research:

1. The letter must be clear so that people who do not currently receive Child Benefit know that the letter does not affect them;
2. The letter needed a clear and strong call to action;
3. The letter needed further explanation as to why the changes are happening;
4. There was confusion around the term 'partner' and whether or not the charge refers to those in the household or to parents who may or may not live with their child;
5. There was some confusion about whether the policy relates to individual or joint income and the longer letter was not perceived to be clear about this
6. The letter needed to give a better indication of the financial implications of the High Income Child Benefit Charge for people with different income levels over £50,000;
7. There was low awareness of other benefits associated with claiming Child Benefit and these benefits were not mentioned in the letter;
8. Some participants suggested that including a leaflet alongside the letter would give more background to the charge and explain how people with different circumstances are affected;
9. The *Child Benefit – Getting your claim right* document information was difficult to understand and some aspects appeared to be contradictory;
10. The message about protecting your State Pension on the Child Benefit Claim Form could be perceived as misleading.

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### Phase 2 (August 2012)

#### Response to the letters

There was an overall preference for a shorter letter with an accompanying flyer, rather than a long letter, as it was easier to read and the flyer was easy to follow. Despite this, participants felt that further information was needed in the letter and flyer to enable them to make a decision about whether or not they should continue to receive Child Benefit.

#### Response to the revised Child Benefit Claim form

There was an overall preference for the existing form, accompanied by a flyer with further information. The main reason for this was that a flyer was the best way to present the information overall: people liked the layout, found it easy to read, the content was also felt to be clearer. The flyer also provided an explanation about how the charge would be calculated which enabled people to make a choice regarding whether or not to receive Child Benefit.

Participants found the forms easy to fill out. Those with an income of less than £40,000 spent the most time looking at the form and felt it was simple to understand and compared favourably with their past experience of filling in other Government forms.

#### Understanding the impact of the charge and whether it applies to them

Overall, those on incomes below £50,000 understood clearly what was and was not relevant for them. They understood that some of the information (about the tax charge) was only for people on higher incomes and were happy to ignore it. The only confusion that remained for this group was whether it was individual or joint income that needed to be considered.

Those who were in the £50-£60,000 income group expressed the most confusion. Participants typically started with an assumption that they were losing all of their Child Benefit. They were therefore surprised, and confused, at the idea introduced in the letters that they actually had a choice.

Those on incomes over £60,000 came with an assumption that they were no longer going to receive Child Benefit, and therefore felt there was nothing else to think about. Generally those in the higher income groups were unclear about the options available to them and the pros and cons of each route. They were unsure about the link between Child Benefit and State Pension. This appeared to be a key factor to consider as part of the choice they had to make, but they had no idea of the connection or what the impact might be.

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### Understanding of key terms

#### **Income/Individual income**

Those in the higher income groups typically understood after reading the letter that the information being communicated referred to individual income, although initial assumptions were that the High Income Child Benefit Charge would be based on joint income. A few people were still confused about this after reading the letters.

Several people automatically equated income to salary, and did not consider other sources of income, and there was a lot of debate about this, particularly among those earning more than £60,000.

#### **Claiming Child Benefit and choosing not to receive payment**

From the letters alone, respondents could not understand the choice they were being asked to make, as they wanted to know the actual impact in numbers terms in order to make a decision. The letters did not make the impact of the sliding scale clear. There was no automatic understanding that claiming Child Benefit, or not, would have an impact on other benefits, and people did not understand the connection.

#### **How Child Benefit can protect their state retirement pension**

Although there were lots of warnings about the risk to State Pension, people did not instinctively understand how this impacted on the decision about whether or not to continue to claim Child Benefit. The text on the flyer to accompany the Child Benefit Claim Form gave the clearest explanation and enabled people to understand the impact.

#### **Significance of tax charge taper rules for those on income between £50,000 and £60,000 and their choice in respect of Child Benefits payments**

Participants did not feel they had enough information to understand the impact. The letters talked about having to pay a tax charge on 'some, or all' of the Child Benefit they receive – and this left them very unclear about the scale of the impact. This was information they felt they needed in order to make an effective decision. The fact that continuing to claim Child Benefit would mean needing to complete a Self-Assessment tax return was a barrier, and without understanding the full financial impact, they did not know whether this would be worth doing.

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### *When the research took place*

The focus groups for Phase 1 took place at Opinion Leader's in-house viewing facility between 13<sup>th</sup> and 21<sup>st</sup> June 2012.

The groups for Phase 2 were conducted in a venue in Manchester on 7th and 8th August 2012. Each group discussion lasted an hour and a half.

### *Who did the work (research agency)*

Both phases of the research were conducted by Opinion Leader, a research agency based in London.

### *Method, Data and Tools used, Sample*

#### Phase 1

Five focus groups were conducted with between 7-9 participants in each group. A discussion guide was created which included the key question areas. Examples of the potential letters, Child Benefit Claim Form and accompanying notes were shown to participants.

Each group was recruited to include a different type of participant, as described in the table below:

Participant type	Criteria
<b>PAYE customers with income over £50K without children</b>	<ul style="list-style-type: none"> <li>• All to have income over £50,000 (range of incomes)</li> <li>• All PAYE customers only</li> <li>• Not receiving Child Benefit</li> </ul>
<b>Self Assessment customers with income between £50-60K with children aged under 16</b>	<ul style="list-style-type: none"> <li>• People with income over £50,000</li> <li>• 50% to have income between £50,000-£60,000</li> <li>• 50% to have income over £60,000</li> <li>• All SA customers</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> </ul>
<b>Dual Self Assessment/PAYE customers with income over £50K with children aged under 16</b>	<ul style="list-style-type: none"> <li>• People with income over £50,000</li> <li>• 50% to have income between £50,000-£60,000</li> <li>• 50% to have income over £60,000</li> <li>• All dual SA/PAYE customers</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> </ul>

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<p><b>PAYE customers with income between £50-60K with children aged under 16</b></p>	<ul style="list-style-type: none"> <li>• With people with income between £50-£60,000</li> <li>• All PAYE customers only</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> </ul>
<p><b>PAYE customers with income over £60K with children aged under 16</b></p>	<ul style="list-style-type: none"> <li>• People with income over £60,000</li> <li>• All PAYE customers only</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> </ul>

**Phase 2**

Three focus groups were held to provide indicative feedback on the latest version of the documents. The descriptions for each of the three groups are summarised below:

Participant type	Criteria
<p><b>Group 1</b></p> <p><b>PAYE customers with personal income between £48-60K with children aged under 16</b></p>	<ul style="list-style-type: none"> <li>• People with personal income £48-£60,000</li> <li>• All PAYE customers only</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> <li>• 5 women and 3 men</li> </ul>
<p><b>Group 2</b></p> <p><b>PAYE customers with personal income over £60k with children aged under 16</b></p>	<ul style="list-style-type: none"> <li>• People with personal income over £60,000</li> <li>• All PAYE customers only</li> <li>• 1 or more children aged under 16</li> <li>• All receiving Child Benefit</li> <li>• 5 women and 2 men</li> </ul>
<p><b>Group 3</b></p> <p><b>PAYE customers with chief income earner less than £40k, with children aged under 16</b></p>	<ul style="list-style-type: none"> <li>• People in household where chief income earner earns less than £40,000</li> <li>• All PAYE customers only</li> <li>• 1 or more children aged under 16</li> <li>• Participant to be the person receiving the child benefit payments</li> <li>• 5 women and 3 men</li> </ul>