



HM Revenue  
& Customs

*Research report*

# The introduction of the Scottish Rate of Income Tax – Phase 3 testing

**Ipsos MORI Scotland**

**October 2015**

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**Scottish Rate of Income Tax*****About PT Change***

PT Change is a “Directorate” within HMRC’s Personal Tax (PT) line of business and is principally concerned with overseeing and bringing together for PT a Portfolio of Programmes which will help transform HMRC business, led by customer understanding.

The PT Change Portfolio will deliver all the changes to processes, structure and systems needed to deliver better services to our customers and enable savings from within PT.

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## Scottish Rate of Income Tax

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

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

Ipsos MORI Scotland was commissioned by HMRC to conduct research to test a notification letter designed to inform Scottish taxpayers about the introduction of the Scottish Rate of Income Tax (SRIT). This followed earlier research conducted in 2014 and early 2015 to test a range of communication materials including earlier draft versions of the notification letter.

Two versions of the notification letter were produced by HMRC: Letter A (which included an example of the rate) and Letter B (which did not include the rate). The purpose of this phase of the research was to test the clarity, tone and relevance of the letters, and to gauge whether or not the core messages were understood.

### *When the research took place*

Focus groups took place in Edinburgh and Glasgow between 21<sup>st</sup> and 23<sup>rd</sup> September 2015.

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

Ipsos MORI Scotland, a market research agency, undertook the research.

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

Six focus groups were carried out with people living and working in Scotland. Focus group participants included both PAYE and Self-Assessment taxpayers, and a mix of basic rate and higher/additional rate taxpayers. All participants were recruited door-to-door and on-street by a specialist recruitment agency. A table highlighting the profile of participants is shown overleaf:

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Focus group participants		
Profile of participants		Number of participants
Group 1: Edinburgh	PAYE higher/additional rate taxpayers. Aged 18-40	8
Group 2: Glasgow	PAYE basic rate tax payers. Aged over 41	10
Group 3: Edinburgh	Self-assessment higher/additional rate taxpayers. Aged 18-40	8
Group 4: Glasgow	Self-assessment basic rate tax payers. Aged over 41	9
Group 5: Edinburgh	Mixed PAYE and self-assessment basic rate tax payers. Aged over 41	8
Group 6: Glasgow	Mixed PAYE and self-assessment higher / additional rate tax payers. Aged 18- 40.	9
<b>TOTAL</b>		<b>52</b>

During each focus group, participants were given the notification letter and asked to read it. One letter was tested per group, either Letter A or Letter B<sup>1</sup>. After reading the letter, participants were asked to score the letter out of 10 on how clear it was and how relevant the information was to them. The focus group discussions then explored reactions to the letter in more depth.

Participants were also shown an extract from the HMRC website with details of the SRIT and a mock newspaper article, as early examples of the types of information that would be available when the letter is sent. They were then asked to score the letter again, taking into consideration the information provided in these other materials.

## *Main Findings*

### **Summary of key findings**

The content of both letters was generally viewed as being clear and easy to understand. The key messages from each letter were understood: that the SRIT is being introduced for

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<sup>1</sup> In group 3, participants were shown a version of Letter B that had different wording to the other letters, It said "The Scottish Government will publish its Draft Budget on 16th December 2015. This will include its proposals for the Scottish rate of Income Tax, which will affect the amount of tax you pay from April 2016". The other versions said "*may affect*" instead of "*will affect*". This wording may have caused group 3 to react differently to the other groups.

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Scottish taxpayers; who a Scottish taxpayer is; that tax codes will change; and that for most taxpayers no action needs to be taken.

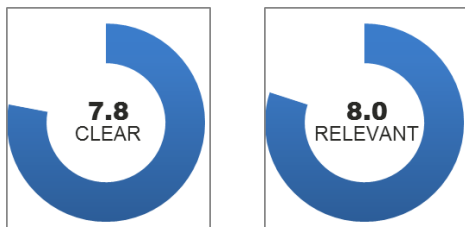
However, Letter B raised for some people questions and concerns about what rate SRIT will be charged at. Behaviourally, several participants assumed from reading this letter that the rate would increase. By not stating the rate in the letter people are likely to look elsewhere for information to answer their questions and address their concerns. These concerns may be alleviated if the letter is sent out to coincide with wider information and publicity surrounding the announcement of the rate, provided this information enabled people to clearly find out whether they will be paying more, less or the same amount of tax.

The information in Letter A would answer the fundamental question that participants have raised (i.e. what is the rate?) and further alleviate one of their concerns about what the changes may mean for them. People may still seek further information and clarification about SRIT but this will be reduced by including the rate. There was a strong indication that participants would seek additional information online and no feedback that suggested an increase in telephone contact.

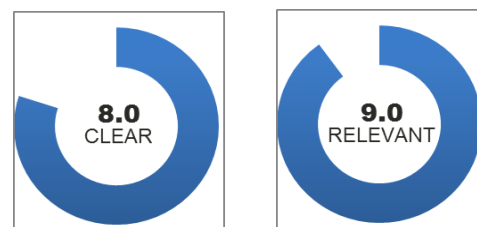
**Initial reactions to the notification letter**

The overall reaction to both versions of the notification letter was that they were clear, easy to understand and that the information was relevant. Most thought the amount of text and the overall look and layout of the letters was appropriate. The average scores (out of a maximum of 10) for clarity and relevance for each letter are shown below.

**Letter A (with rate)**



**Letter B (without rate)**



Most participants understood that the purpose of the letter was to notify them of a change to the way that they will pay taxes in April 2016. For both versions of the letter, participants understood that they were Scottish taxpayers and that the SRIT would therefore be of relevance to them. They also understood that their tax codes would change.

For Letter B, it was generally agreed that it gave clear notification of the introduction of the SRIT and participants understood that they did not need to take any action. A few participants

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stated that they would wait until the draft budget is announced and then check how the change would affect them.

Although the key messages of the notification letter were clear and understood by most, both letters did raise further questions for the majority of participants. These questions are explored in detail overleaf.

### **Questions raised by the notification letter**

The main question and area of concern was what the rate would be and ultimately whether they would pay more, less or the same amount of tax – this was true of both letters.

For Letter B, the absence of the rate raised concern among the groups and led to an assumption that the amount of tax that they paid would increase, possibly as a result of some of the language being seen to be purposefully ambiguous- for example “some of your income tax” and “you may pay a different amount...” However, others said that this was due to the rate not yet being known and therefore not being able to be more specific.

For both letters there was some confusion around the SRIT; although it was understood that this rate would be set by the Scottish Parliament, there was some confusion around why it was being introduced and how the money raised would be used.

A few participants raised questions about the definition of a Scottish taxpayer, namely: how it affects those who split their time between Scotland and the rest of the UK; whether or not being employed by an English company affects the definition; and whether there is any difference in taxpayers status across parts of Scotland.

### **Impact of the notification letter**

All participants were clear from reading the letter that they did not need to do anything. This was true for both versions of the letter.

While participants were clear that they didn't need to take action, several felt that they would look for further information to answer the questions that the letter had raised, particularly for those reading Letter B. Among those that would look for more information, the most common source mentioned was online, including the HMRC website as well as other news websites and social media. There was no feedback that suggested an increase in telephone contact.

Across all groups, there was also an expectation that there would be media coverage about the introduction of SRIT and that the letter would not, therefore, operate in isolation. The types of coverage that people anticipated included radio, television and newspaper coverage, as well as a general expectation that information would be available from a variety of sources to help them find out more.

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**Reaction to the supporting materials**

Feedback on the website extract was mixed. Participants generally felt that the content of the website was clear. However, the website did not aid participants' understanding of the SRIT as it did not contain what they considered to be the key information: an explanation of what the rate will be.

There was an assumption among participants that the website would provide further detail to expand on the information contained in the letter. However, the information provided in the website extract was perceived, by some, to be different to that contained in the letter and it raised further questions about what the rate will be. Among those testing Letter B, the website introduced the possibility that Scottish taxpayers may pay a different rate to the rest of the UK, which was not explicitly stated within the letter. The website therefore added to their questions and concerns about how the change in the rate might affect them (and the assumption that the rate would be higher). The website also had this affect, albeit to a lesser extent, among those testing Letter A; although these groups had seen the example rate in the letter, the website reinforced the possibility that the rate could be higher or lower than the rest of the UK.

**Overall reaction to the notification letter and supporting materials**

After reading extracts from the website and the draft press article, and having discussed the materials as a group, it was apparent that while the information contained in the letter might be clear, it was less informative than participants wanted. Having read the website extract and press article, participants scored the letter a second time, bearing in mind the range of additional information that may be available to them when they received the letter. As shown below, for each letter the average score for clarity decreased while the average score for relevance increased.

**Letter A (with rate)**

**Letter B (without rate)**



The decrease in clarity scores reflects the feedback from the groups after they had viewed the additional information and spent time reflecting on the materials as a group. While the information contained in the letter was viewed as mainly clear, on reflection it was less informative than participants wanted and they scored the letter accordingly.