HM Revenue
& Customs

Research report

HMRC Annual Tax Summary Research

Tolerance testing with PAYE customers

Ipsos MORI

16th November 2015

Customer Insight & Knowledge Team

About Personal Tax Customer, Product and Process, Customer and Stakeholder team

Personal Tax Customer Product & Process 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
- ensure that those who need help get the support they need, when they need it

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

Contents

Research requirement (background to the project)

HMRC introduced Annual Tax Summaries (ATS) in autumn 2014, with the aim of showing customers how much direct tax they are paying and how it is spent by Government. The number of ATS issued is set to increase and, for the first time, PAYE customers whose tax records show an underpayment or overpayment within tolerance will be sent an ATS.

Underpayments or overpayments are a normal feature of the tax system and happen when tax records do not reconcile exactly, for example due to starting a new job or other changes of circumstances. When these under or overpayments are low – within a tolerance of £49.99 or less underpaid or £9.99 or less overpaid – they are not corrected through the tax system as it is not cost-effective. While this has been the case for many years, the ATS is expected to make this more visible to the public. In future, new digital services will also make the under or overpayments more visible.

HMRC commissioned Ipsos MORI to conduct research to test customers' understanding of the use of tolerances. The study explored understanding and reaction to the tolerance, clarity of explanations of the tolerance which may be used for the website and contact centre scripts, and the appropriateness of a 'thank you' message.

Specifically, this study aimed to:

- Explore customer responses to receiving an Annual Tax Summary, where figures do not balance but are within the tolerance stated above.
- Inform the content of GOV.UK information and contact centre scripts.
- Inform a 'thank you' message that may be provided to customers as part of the Annual Tax Summary in future.

When the research took place

Ipsos MORI conducted 50 interviews with PAYE customers between 29th September and 13th October 2015.

Who did the work (research agency)

Ipsos MORI, in collaboration with the HMRC project team.

Methodology

Ipsos MORI conducted 50 depth interviews over the telephone with a mix of customers. The breakdown of participants is shown below.

<table>
<tr><th colspan="4">50 PAYE Customers</th></tr>
<tr><td colspan="2">26 males</td><td colspan="2">24 females</td></tr>
<tr><td colspan="2">30 ABC1</td><td colspan="2">20 C2DE</td></tr>
<tr><td colspan="2">35 Basic rate taxpayers</td><td colspan="2">15 Higher rate taxpayers</td></tr>
<tr><td colspan="2">43 White</td><td colspan="2">7 BME</td></tr>
<tr><td>10 aged 18-24</td><td>13 aged 25-39</td><td>16 aged 40-54</td><td>11 aged 55+</td></tr>
</table>

Draft ATS letters were sent to the participants by post prior to their interview (and also by email). These were examples, not personalised, and were used to support discussion. Participants received one of three different ATS letters, selected at random to ensure a spread of all three versions across the sample. The letters included:

1. An underpayment: £16,800.00 at 20% (rather than on £17,000.00).
2. An overpayment: £17,030.00 at 20% (rather than on £17,000.00).
3. Higher rate: £31,866.00 at 20%; £9,200.00 at 40%; and £500 at 32.5% (rather than £41,150.00).

Participants were recruited using free-find methods. A purposive sampling approach was adopted, whereby key quotas are set and participants are recruited according to these, using a screening document.

Fieldwork was undertaken by specialist qualitative researchers at Ipsos MORI. All data was recorded securely and analysed using a rigorous inductive analytic approach – whereby data is synthesised into thematic headings and interrogated for patterns and themes. Qualitative research aims to understand the range of views and factors underpinning these. It does not seek to provide statistical or numeric information.

Main Findings

Did customers notice the tolerance spontaneously?

- Ipsos MORI tested whether customers noticed the tolerance on the ATS[1]. Overall, the tolerance was not noticed spontaneously by customers at first glance – although this increased when customers were encouraged to read the content more closely. The tolerance was more likely to be noticed by customers who were more financially aware and interested.
- The tolerance was not noticed on the Higher rate tax statement (Option 3) as it was necessary to add up multiple figures (Basic rate Tax; Higher rate Tax; and dividends) in order to see the total amount tax is paid on.

> *"I'd not really noticed, I just presumed it would all add up … without you breaking down the calculations, you would not have noticed."*

(24, Basic Rate, Option 3)

How did customers respond to the discrepancy once it was pointed out?

- On prompting, customers generally understood there had been an under or over payment in their tax, but there was a lack of certainty about why the discrepancy occurred. A range of explanations were suggested, including: an administration charge; a typo; a rounding error; a result of salary fluctuations; and the result of tax code changes.
- In some instances, it was felt HMRC might be purposefully masking the discrepancy – particularly in the case of the Higher rate Tax statement where identifying the total amount was more difficult.

> *"It does look like a mistake, like they are trying to hide something … You want an explanation, don't you? You want openness and transparency."*

(56, Higher Rate, Option 3)

[1] Whether customers noticed the discrepancy in amounts between the total they are told they pay tax on and the actual tax paid – for example, you pay tax on: £17,000 and tax being paid at 20% of £16,800.

What would customers do as a response to this?

- There was a general interest in why the discrepancy occurred, however responses varied and included those who said they:
    1. Would not seek additional information as they assessed the amount of money to be too small or they trusted HMRC to get it right;

    "I just wouldn't be bothered. I wouldn't have the time to phone up for something that doesn't affect you that much. I'm expecting HMRC are up to speed on this kind of thing."

    (28, Basic Rate, Option 1)

    2. Were curious and would seek additional information (if the process was not too arduous) in order to learn more about why the discrepancy had occurred; and

    "It's not a concern that I'm overpaying, but I want to know why? … Is it everyone, or just me?"

    (31, Basic Rate, Option 2)

    3. Were concerned, sought greater understanding and a resolution. In these cases, customers were either worried they had paid too much tax (in the case of an overpayment statement) or that they had not paid enough tax and would be sent a bill or receive a penalty at a later stage (underpayment statement). This group tended to focus on the entire discrepancy (for example £200) rather than the tax percentage they were required to pay (i.e. £40). This exacerbated their concerns as they felt that an error such as this would need to be rectified.

    "It would bother me – if they'd done it wrong and deducted less than they should. I don't like it – that thought of someone knocking at the door."

    (36, Basic Rate, Option 3)

- Overall customers wanted to understand what the discrepancy was and why this had occurred. They also wanted to know the exact reasons why an under/over payment had occurred – they were looking for a personalised explanation regarding the reasons for this.

Where would customers go to receive information – what channel would they use?

- A number of potential communication channels were noted including: the HMRC contact centre helpline; the gov.uk website; employers (employer payroll departments) and informal sources, such as: speaking to friends or family. Channel preference depended on previous experience, familiarity with the different channels, and customers' understanding of the issue.
- The helpline was the preferred channel for customers who were concerned about the discrepancy. It was often assumed this would result in a more personalised response and resolution. This was the preferred channel overall.

"It's more personal talking to someone; they can explain and clarify things."

(28, Basic Rate, Option 3)

- The online option was seen as a good channel for gaining general reassurance and information quickly and efficiently. This route was often preferred by customers who understood the tolerance referred to a small amount of money and by those who had poor experiences of contacting the HMRC helpline in the past.
- Customers said they would be likely to gain general information from their employer or from informal sources in addition to using the helpline or website. These channels were often said to be the first port of call.

What did customers think of the text provided for online and telephone channels?

- As part of this study, explanatory text was tested with customers. Example text was developed for both the HMRC website (figure 1) and helpline (figure 2).

Figure 1: Online text

> ***At the end of the tax year, HMRC check the amount of PAYE tax you've paid, against what you needed to pay. Sometimes, the amounts may not be the same. This could be because you'd started a new job, changed benefits or received other income during that tax year. When this happens, you don't need to do anything. HMRC will send you a form P800 tax calculation, telling you how they'll collect or repay the amount. If the amount we owe you is under £9.99 or if you owe us less than £49.99, we won't repay or collect these amounts.***

Figure 2: Helpline script

Your tax summary shows the actual amount of tax you paid. This might have been lower or higher than what the amount should have been, usually because of changes of circumstances, for example a new job. If you've overpaid more than £9.99 or underpaid more than £49.99 we would send you a P800 to correct it. If it's only a small amount then as a normal part of the tax system HMRC don't take any action so you don't need to worry.

- The online text was preferred overall. It was said to offer more detail (and examples) and was written in plain English that was easily understood. This text enabled participants to understand why the discrepancy had occurred, what would happen next i.e. you would be sent a letter (P800) if you had to do anything, and what the tolerance was. For instance, it offered multiple examples of why this might have occurred: 'started a job, changed benefits, or received other income'. It also explained more clearly what the tolerance was, by saying: 'the amount we owe you is under £9.99 or if you owe us less than £49.99, we won't repay these amounts.'

  "Yes, that clears it up straight away. It is clearly telling you that there will be a deviation … Yes – so it is saying it will give you a refund if you pay too much. It is quite clear … it makes sense."

  (23, Basic Rate, Option 1)

- The telephone script was found harder to understand – in terms of both content and language. For instance: It offered only one example for a change of circumstances (a new job), which led some customers to think this would not be relevant to them. The terms 'under and over payments' were found confusing and reference to a P800 was generally meaningless without additional clarification/information. Furthermore, customers did not always make the link between the figures (£9.99 – £49.99) and the reference to a 'small amount'.

  "I have no idea what that means…the numbers. I am still confused as to what the figures mean. I don't understand - it makes no sense".

  (28, Basic Rate, Option 3)

How do customers feel about using the ATS GOV.UK page feedback route?

- Customers were asked how they felt about using the GOV.UK ATS page to provide feedback on the ATS[2]. On the whole customers were receptive to the idea. Those who were familiar with the concept of raising queries and providing feedback in this manner felt it was a good way of empowering service users. More broadly, it was also felt that the page could offer a personalised service in an easy way, and they liked that it would mean they could access their information at any time. Differences in views tended to focus on: whether they wanted to give positive or negative feedback; whether they could ask a question privately; how easy and convenient the site was to use; and how confident they felt using the internet.

  "They use these things at work and it's how they can look at improving business help lines, so I can see the value of this."

  (45, Basic Rate, Option 1)

- Customers were also asked how they felt about accessing their tax information online. Broadly customers were open to this. As with the ATS GOV.UK feedback pages, those who were comfortable using the internet (for internet banking, for example) were particularly positive and thought this was timely. Key advantages of this were said to be: ability to check information conveniently and having everything stored in one place.

  "It's handy to have everything online, you do not have to wait for the letter for your information … could access it anytime."

  (19, Basic Rate, Option 3)

- Concerns were raised about security in relation to online services – and customers wanted reassurance personal information would be secure.

  "As long as it is a secure site, I would use it … as I don't want others seeing salaries and stuff."

  (51, Basic Rate, Option 1)

[2] A web address link was provided on the ATS letter to www.gov.uk/annual-tax-summary. It was explained to participants that this site would allow them to provide feedback on the summary, the tax calculation, or public spending. This feedback would then be sent to a contact centre team who would respond as appropriate.

How do customers respond to the 'thank-you'?

- Finally, customer responses to including a 'thank you' in the ATS for paying their Income Tax and National Insurance contributions were explored. Reactions to the 'thank you' varied from those who felt that it was a polite inclusion that showed appreciation; those who were indifferent; through to those who thought it was patronising or even offensive (given members of the public were all required to pay tax).

  "It's not a choice to pay tax. A thank you is good manners, but it's mildly amusing. It looks like they're grateful, even if there is no choice."

  (24, Basic Rate, Option 1)

- In some cases, customers said they would prefer to be thanked for how public money is spent (as outlined on the back page of the ATS). However arguments against this centred on the fact there were areas of spending customers might not agree with, such as defence or welfare.

  "It feels more like your money is being used; not just, 'we've now got your money'. It means you've contributed to something."

  (24, Higher Rate, Option 1)