



HM Revenue
& Customs

KANTAR PUBLIC

Pay As You Earn (PAYE) Refresh: Understanding Customers' Responses to In- Year Coding

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This report was one of a number of research papers commissioned by HMRC in 2016-2017 to support the development and delivery of digital services for customers. The findings have been used to inform the department's work. HMRC reprioritised its portfolio of transformation projects in 2018 to ensure that it delivers key government priorities. HMRC's overall ambition to become one of the world's most digitally-advanced tax authorities remains unchanged.

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Glossary of Terms

PAYE: Pay as you earn (PAYE) is HMRC's system to collect Income tax and National Insurance from waged employment where the employer or pension provider deducts tax and national insurance contributions from wages or occupational pensions before payment.

P800 Notice HMRC checks if a customer paid the right amount of tax at the end of each tax year. If a customer overpaid or underpaid tax in the previous tax year, HMRC issues a P800 notifying customers of the amount they owe or are owed.

P2 Notice of Coding of Coding: P2 is a coding notice sent by HMRC to inform a customer if their tax code changes.

Real Time Information: A method of reporting for PAYE, under which employers are required to submit PAYE information to HMRC each time they pay their employees (rather than once at the end of the tax year).

Old system: Used throughout the report to refer to the PAYE system HMRC had in place prior to 2 July 2017. The PAYE system prior to 2 July 2017, would, as it does now amend a customer's record when notified of changes to income. When this resulted in a tax code change, and an increase in the amount of tax a customer needed to pay, HMRC would issue a notice of coding (P2). This advised the customer that although they had changed their tax code to reflect changes in their income, HMRC thought they may end up not paying enough tax by the end of tax year and an estimate of the value of tax they may underpay would be provided. It also set out that HMRC would check this estimate at the end of the tax year but that the estimated amount would automatically be included in their tax code for the following tax year for collection. At the year-end, HMRC would then check if the customer had paid the right amount of tax and issue a P800 Notice stating the exact amount owed to HMRC or the amount owed to the customer.

New system: This term refers to the system introduced by HMRC in July 2017. Under the new system, HMRC uses Real-Time Information (RTI) from employers and pension providers to calculate, more accurately than ever before, if someone is paying the right amount of tax. If they have under or overpaid, the individual's tax code is adjusted dynamically during the year, to ensure that the right amount of tax is collected. Please note that, at the time when the quantitative survey detailed in this report was conducted, HMRC was still using the old system and so, in the quantitative survey questionnaire, the new system is referred as the 'proposed system'.

Coding Transition Arrangements: During the transitional year from the old to the new system, some customers who are paying back tax that was underpaid in previous years may also become liable to further adjustments to their tax codes if their circumstances change during the first year under the new system'. For brevity, this will be referred to as a 'coding transition' situation throughout the report.

Customer Information Letter: This is the letter HMRC sent (or will send) to any customers who, based on their tax history, are likely to experience a coding transition situation..

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1. Executive Summary

On 2nd July 2017, HMRC introduced a new system that uses employers' RTI submissions¹ to update tax calculations in real time, meaning tax adjustments are now made throughout the year and the majority of customers will end the tax year balanced. (Further details about the changes to the PAYE tax calculation system can be found in Chapter 2.)

To help inform the design of this new system and related communications, HMRC commissioned Kantar Public to conduct a mixed mode study of customers that received a P800 Notice for under or over payment of tax in the tax year 2015/16. HMRC expected these customers would be the most likely to be impacted by the changes - as it was not possible to predict in advance exactly who would be liable for under/overpayments when the new system was introduced – and therefore their past experiences of under/overpayments may have shaped their views and concerns about the forthcoming new system.

The study consisted of four mini group discussions, a survey of 565 PAYE customers and 10 in-depth follow up interviews. Further details of the survey sample can be found in Appendix A.

The research examined:

- Customers' understanding and experiences of the old system prior to changes introduced in July 2017;
- Customers' views on the new system and its anticipated impact on affordability;
- Use of the Personal Tax Account to view and manage in-year changes under the new system.

As the research was undertaken prior to launch, the research did not aim to evaluate actual customer views and experiences of the new system. Instead, the focus was on their expected reaction to it, to maximise any learning from and delivery of the change.

Understanding of PAYE and Tax Codes

Understanding of the PAYE system of taxation was rudimentary across the audience, reflecting a limited engagement with the tax system and a belief that the responsibility for correctly calculating the amount of tax due lay with their employer and/or HMRC.

Although respondents had all had prior experience of an over or underpayment, they generally did not have a corresponding understanding of what had prompted this.

Therefore in most cases, P800 Notices were unexpected and, due to their financial implications, created an emotional response: for underpayments negative feelings of concern or annoyance and for overpayments a positive sense of surprise at an unexpected financial windfall.

- On receipt of the P800 Notice for the tax year 2015/16: most (63%) did not contact anyone, 30% said they contacted HMRC and 13% contacted their employer.² Contact with HMRC was predominantly by telephone (68%).
- The two main reasons for contacting HMRC were for reassurance (30%) and not understanding the reasons for the over or underpayment (20%).

¹ HMRC already receives in-year PAYE information from employers via Real Time Information (RTI) submissions. Under Real Time Information, employers need to submit PAYE information to HMRC each time they pay their employees, rather than just once a year at the end of the tax year.

² This question was a multi-code question where participants were able to choose more than one answer code.

Typical customer journeys – likely changes under the new system

The *qualitative research* findings suggest that the new system is unlikely to significantly affect the current customer journey in the majority of cases. During the research, respondents reacted to the new P2 Notice of Coding in a similar way as they did to the P800 Notice. Some felt that it lacked key information on what had prompted over or underpayment and claimed that they would contact HMRC in order to clarify this or receive reassurance about the amount or payment terms.

When participants were asked in the *quantitative survey* what they would do in response to a notification from HMRC telling them about a change to the tax they pay:

- 48% said they would call HMRC and a small proportion (4%) said they would contact their employer³ for clarification.
- Related to this, most participants (69%) said that they would like to receive a notification every time there is a change to their tax code, meaning there is a possibility that the frequency of contact with HMRC may increase at first.

Participants were also asked who they would contact, if anyone, if they noticed a change in their take-home pay:

- If customers notice a change in their take-home pay, 36% said they would contact HMRC, 30% their employer and 23% both.
- In the *qualitative research* too, some respondents – whose pay and tax are likely to fluctuate regularly - felt that under the new system they would be more likely to notice changes to their pay packet resulting from tax adjustments and therefore more likely to contact their employer as a first response.
- However, the actual volume of contact– following a change in take-home pay - is likely to be lower than the survey question above suggests. Participants will have received a notification from HMRC prior to any adjustments to their income tax – and as above, a number of them will have already contacted HMRC at this point and would therefore be prepared for the change in their take-home pay.
- Further, qualitative research suggested those employees who spoke to their employer first may be satisfied by any explanation given by their employer, if the amount was felt to be affordable, negating the need to contact HMRC.
- Although less prevalent, some participants mentioned that the decreased lead time between a change in circumstances and an adjustment to their pay may help them to understand what has prompted this change and therefore reduce the likelihood of them contacting HMRC for clarification.

Reaction to the new system and affordability

The *qualitative findings* suggested a number of drivers of customer views of affordability. Positively, the idea of beginning the tax year with no outstanding debt was received well and could help to create a sense of reassurance. More generally, many customers were also positive about HMRC trying to do things in a more up-to-date and agile way by using technology to make changes in real time, making it less likely individuals would end up owing large sums.

The main drawback of the new system was felt to be the issue of potentially having a shorter time to adjust finances to repay any underpayment, when outgoings remain fixed.

When asked in the quantitative survey for their views on affordability:

- Overall, the majority (59%) of participants said the new system would not have an impact on their ability to manage their finances.

³ This is based on a hypothetical scenario included in the quantitative stage survey and they were not shown the P2 letter prototype.

- However, higher levels of concern were expressed when asked about specific aspects of the new system – such as having a shorter time to repay (37% refer to a negative impact) and the fact that their income could vary from month-to-month (40% refer to a negative impact).
- Based on a number of affordability scenarios tested in the study, findings showed that as repayment amounts increased, or the length of time to pay was reduced, fewer customers thought that they would be able to repay without experiencing financial difficulties.

Role of information and the PTA

Customers were also asked for their views on communications including a new P2 Notice of Coding and information about the Personal Tax Account (PTA). When shown the communications, they typically skim read content, which they claimed reflected their real life behaviour in relation to content which was seen to be generic. This meant:

- Many did not notice the repayment amount or the reasons for repayment and struggled to understand anything they considered technical.
- There was little understanding of tax calculations in either the current or new P2 Notice of Coding, which led some to think they would need to contact HMRC for further explanation.
- Customers generally thought that the Customer Information Letter offered a clear explanation of the proposed changes to the system in everyday language, which promoted greater engagement with the content. This was felt to be a good model for the kind of language that HMRC should use to address customers.

When given information about the Personal Tax Account:

- Current claimed usage of the PTA is low (8%), reflecting the fact that, as shown above, when customers had needed clarification about any under/overpayments, the majority had called HMRC on the telephone. However, when customers received information on how it could help them manage their finances under the new system, most customers showed an interest in using it (50%).
- Over two thirds (67%) said they would be very likely to use it to gain information about how HMRC has calculated the income tax they pay and 62% said they would use it to pay off any underpayments. Convenience and more personalised information were seen as benefits.
- This was particularly the case for those with experience of conducting financial matters online, but even some of those least engaged could be encouraged to consider usage, if certain features/functions were available e.g. a history of personal tax codes with explanations and the ability to request/manage a repayment plan.
- There was also appetite shown in the qualitative research to use Webchat as a means of rapidly dealing with queries, at a time convenient to the customer and to provide a written record of conversations; particularly for those with experience of using such approaches with other providers online.

In conclusion

- Communications should be written in everyday language - to help customers understand the link between changes in their tax code and in their take home pay – and should stress the positive aspects of the changes, such as peace of mind from ending the year in balance.
- Once functionality is understood, many customers are positive about the possible benefits of the PTA and services such as WebChat to help them manage their tax affairs, seek additional information to help them understand their tax and to make payments in their own time. The introduction of the new system could offer an

opportunity to encourage take up of the PTA amongst PAYE customers, which could help to reduce calls to HMRC and employers.

2. Introduction and background

2.1 Research context

HMRC uses Pay as You Earn data from employers to calculate whether customers have underpaid or overpaid tax. Prior to July 2017, under the 'old system', when a change in the customer's circumstances - such as a change of employment, having more than one occupational pension, receiving benefits in kind or having other taxable income— resulted in an increase in the amount of tax a customer needed to pay, HMRC would issue a P2 notice of coding. This advised the customer that although they had changed their tax code to reflect changes in their income, HMRC thought they may not end up not paying enough tax by the end of tax year and an estimate of the value of tax they may underpay would be provided. It also set out that HMRC would check this estimate at the end of the tax year but that the estimated amount would automatically be included in their tax code for the following tax year for collection. At the year-end, HMRC would then check if the customer had paid the right amount of tax and issue a P800 Notice stating the exact amount owed to HMRC or the amount owed to the customer.

P800 notices to inform customers that they have underpaid or overpaid tax have generated a large volume of calls to HMRC, many of which do not require any action. It is estimated that in the tax year 2015/16, P800 notifications resulted in 3.9 million customer contacts with HMRC, placing a considerable demand on the business.

As part of the Making Tax Digital programme, from July 2017, HMRC now uses Real Time Information submissions from employers to introduce dynamic adjustments to customer tax codes, accounting for any changes in circumstances that may impact on the amount of income tax they owe. As a result, customers' tax codes will be adjusted in-year, allowing them to settle any liabilities that have arisen as they happen⁴. Each time there is such a change, HMRC will send a P2 Notice of Coding to alert customers to their new tax code. If customers owe tax to HMRC, they will pay back the additional amount throughout the remaining months of the same tax year. Therefore, the amount customers will have to pay back each month will depend on when in the tax year their circumstances change. If customers are owed money by HMRC, they will receive a refund through their salaries the next time they are paid.

To support the introduction of in-year dynamic coding, HMRC is also planning to introduce new features to the Personal Tax Account (PTA), allowing customers to view their tax liabilities in real time and understand any adjustments, increasing their capacity to self-serve.

The overall aim of these changes is to improve the customer experience by reconciling any overpayments and underpayments in-year rather than at the end of the tax year. These changes will also improve the revenue flow for HMRC and increase customer compliance. Introducing new functionalities to the Personal Tax Account (PTA) is expected to reduce demand on HMRC call centres in the long run as customers will increasingly start to self-serve.

The PAYE system prior to 2 July 2017, would, as it does now amend a customer's record when notified of changes to income. When this resulted in a tax code change and an increase in the amount of tax a customer needed to pay, HMRC would issue a notice of coding (P2) advising the customer that; although we had changed their tax code to reflect changes in their income we think that they may not pay enough tax by the end of tax year. Within the tax code notice we would provide an estimated value of tax they may underpay, known as a potential underpayment and

⁴ There may be some cases where HMRC may not be able to reconcile tax liabilities within the same tax year. For these cases, customers may end up over or underpaying tax and may be issued a P800 Notice.

advise that we would check this estimate at the end of the tax year but that the estimated amount would automatically be included in their tax code for the following tax year for collection.

At the year-end we would then check if the customer had paid the right amount of tax and issue a P800 Notice stating the amount owed to HMRC or the amount owed to that customer.

2.2 Study objectives

HMRC commissioned Kantar Public to collect quantitative and qualitative evidence to help support the successful implementation of in-year coding. The main aims of this mixed methods study were to:

- Examine how customers are likely to react to the proposed changes and identify areas where customers may require additional support to enable the successful implementation of in-year coding
- Help inform the design of the new process and related communications to maximise customers' ability to self-serve and reduce telephone contact with HMRC.

More specifically, the study examined:

- Understanding and experiences of the current system for managing over- and underpayments and changes in tax codes
- Views on the new system including preferences for frequency of notifications and views on affordability
- Sources of information and support to understand changes in customer tax codes and take-home pay
- Views on the use of the PTA for managing in-year changes and likely willingness to self-serve.

2.3 Research design

Kantar Public conducted a mixed mode study of customers that received a P800 Notice for under or over payment of tax in the tax year 2015/16. These customers were thought to be the most likely to be impacted by the changes - as it was not possible to predict in advance exactly who would be liable for under/overpayments when the new system was introduced – and therefore their past experiences may have shaped their views and concerns about the forthcoming new system.

The study consisted of four mini group discussions, a survey of 565 PAYE customers and 10 in-depth follow up interviews.

2.3.1 Quantitative research

The quantitative survey was conducted by telephone among a representative sample of 565 participants who had underpaid or overpaid income tax in the tax year 2015/16. Interviews for the survey took place between 16th February and 13th March 2017. HMRC provided a sample of customers, randomly selected from their National Insurance and PAYE Service (NPS) records, who had overpaid or underpaid tax in the tax year 2015/16. Underpayers and customers who had overpaid or underpaid higher amounts were oversampled to better understand what support and information these groups may need under the new system, as they are more likely to be affected by the proposed changes. At the analysis stage, findings were then weighted to the sample characteristics of the over- and underpayment population. Please see Appendix A for further information about the sample.

The aim of the quantitative research was to gather data on quantifiable outcomes such as customer opinions on the affordability of the new system, their experiences under the old system, their views on the frequency of adjustments and their current or anticipated use of the Personal Tax Account.

2.3.2 Qualitative research

Kantar Public conducted mini-group discussions prior to the quantitative survey and in-depth follow-up interviews after the completion of the survey.

The first stage of *qualitative research* consisted of four mini-group discussions. Three groups were conducted with customers who had underpaid tax and one group with customers who had overpaid tax in 2015/16. Participants were recruited to ensure a mix of different circumstances that may have prompted an over- or underpayment, including those with intransient, irregular, or multiple jobs, those receiving benefits in kind and those receiving income from a pension. Each discussion lasted around 1.5 hours and covered topics relating to their previous experience of over- or underpayment, including reaction to the P800 Notice sent by HMRC when notifying customers of a change to their tax code and a draft of a new P2 Notice of Coding that will notify customers under the new system. The findings from this stage provided an early indication of findings and helped inform the questionnaire for *the quantitative survey*.

After the quantitative survey, ten in-depth interviews were conducted with survey participants who said they had been affected by affordability issues as a result of their over- or underpayment in tax year 2015/16 and would find it difficult to pay an additional £8, £17, or £33 per month in income tax. The purpose of these interviews was to explore the impact of the changes in greater depth, including views on the new P2 Notice of Coding, and on the Customer Information letter that HMRC is using during the transitional year. The interviews were conducted either face-to-face (7) or over the telephone (3).

The aim of the qualitative stage was to provide rich insight into customers' views and opinions of the new system, supplementing the quantitative findings by providing greater insight into the attitudes underlying customer reactions to the new system, opinions on the letters HMRC plans to use and views on the idea of using the PTA to self-serve. Qualitative stage findings should be interpreted within this context and not be taken as representative views of the population.

2.4 Analysis and reporting

The data gathered from the *quantitative survey* was analysed to identify where there were statistically significant differences between different subgroups of the sample – that is, differences that are unlikely to have occurred purely by chance. Please bear the following in mind when reading this report:

- Percentages for single-response questions do not always equal exactly 100% due to the effect of rounding;
- Some questions reported are multiple-response. As participants can select more than one answer in this type of question, percentages may add up to more than 100%. When a multiple-response question is reported in a chart or a table, this is clearly noted in the footnotes;
- Unless otherwise stated, all differences reported are statistically significant to the 95% confidence level. This means that we can be 95% confident that the differences observed are genuine differences, and have not just occurred by chance;
- Base sizes for each result reported are shown with the charts. A result with a base size of fewer than 50 should be interpreted with caution and the findings should be viewed as indicative only;
- Verbatim quotes from the qualitative interviews are reported in italics.

Findings from the survey and the qualitative research are reported concurrently throughout the report.

3. Experiences of the old system

3.1 Overall understanding of the old system

Overall levels of understanding of the workings of the PAYE system of taxation were low across the audience for *the qualitative research*. There was generally some familiarity with the terms 'PAYE' and 'tax codes', which were believed to be linked to employment-related income and tax levels, and a general awareness and acceptance of the fact that HMRC sometimes claims or repays taxes on income earned in the previous year. However, beyond this, there was little further understanding of the system, including what might prompt an under or overpayment (see Section 3.2).

"Every month I get a salary and I get a wage, I have no idea what tax or national insurance combinations I make or what tax codes mean" **Underpayment, Female**

This poor understanding of the PAYE system reflected a deeper lack of engagement with the tax system. For the majority of participants, there was a clear expectation that their correct tax deductions should be calculated by HMRC, their employer or a combination of the two. As such, most participants felt that there should be little need for personal involvement and had not spent time trying to understand how their tax code might be calculated. Even when prompted to consider how tax may be calculated, the majority felt that they were unable to do so (see section 6).

Related to this, there was very little awareness or experience of the PTA across the audience (see Section 6.3). As PAYE customers, almost all participants felt that they had little need to actively engage with their tax affairs, and so were not aware that such a service may even be relevant for them.

3.2 Understanding of what prompts over and underpayments

As well as the low level of understanding of the PAYE system amongst the majority of participants *in the qualitative research*, there was also little understanding of what might prompt a tax code change and an over- or underpayment. Respondents were generally not aware that this was due to a change in their circumstances. When a notification of an over or underpayment was received, this was typically attributed to some kind of error on behalf of either their employer or HMRC. As they were not expecting to receive a notification, customers had typically taken no action to prepare for the financial impact of an underpayment, with potential consequences on their perceived ability to repay.

There was also a general lack of engagement with and comprehension of communications relating to under or overpayments, and customers found that they looked generic, rather than personalised to them (see Section 6). As such, these did not address the gap in understanding, and could prompt calls to HMRC for reassurance or clarification.

There were some exceptions to this general low level of knowledge. Amongst some participants with more complex employment circumstances, a connection had been made between changing tax codes and changes in their employment situation or level of tax credits received, although even in these cases understanding was generally still quite vague. For example, whilst an individual may have been able to make a connection between a change in the number of hours worked and a change in tax code, there could still be a lack of understanding of exactly *how* this might affect the

amount owed. One participant had developed a more detailed understanding of the system following previous experience of an overpayment and the resulting interactions with HMRC in order to understand what had prompted this. However, this was very much the exception and, notably, this individual had previously been self-employed and taken responsibility for his own tax affairs. Even amongst those individuals who understood that there may be a connection between a change in their circumstances and a change in tax code, under the current system the gap in time between the change and the notification was felt to obscure the link.

3.3 Response to receiving a notification

3.3.1 Contact points

Most of the participants (70%) who took part in the *quantitative survey* remembered receiving a P800 Notice from HMRC, notifying them of an over or underpayment in tax year 2015/16. When they were asked who they contacted as a result of receiving a P800 Notice, most people said they did not contact anyone (63%). Just under a third (31%) said they contacted HMRC, while a small proportion contacted their employer (13%) as shown in figure 3.1.

There were some groups that were less likely to contact HMRC as a result of receiving a P800 Notice. Participants who said they spend less than they earn in a typical month were less likely to contact HMRC than those who said they spend about the same or more than they earn (25% compared with 38%). Pensioners were also less likely to contact HMRC than those in employment (17% compared with 33%).

Figure 3.1 – Contact points after receiving a P800 notification



The *qualitative research* enabled further exploration of customer reactions to receiving a P800 Notice. Notifications relating to both over- and underpayments tended to produce fairly strong emotional responses: negative in the case of underpayments and positive in the case of overpayments. Both over and underpayments also tended to prompt a consistent set of practical reactions, with regards to whether and why individuals then chose to take further action, in particular contacting HMRC. These are set out below.

3.3.2 Overpayments

Overpayments tended to prompt a positive emotional response and were generally received as an unexpected windfall. For a minority, positive emotions were accompanied by questions about why tax had been overpaid.

In terms of practical reactions, the majority claimed to be happy to take no further action and simply wait for the payment to arrive.

“You are not going to contact them to say can I check that you have not made a mistake about giving me lots of money!!!” **Overpayment, Male**

Other participants claimed that they had or would contact HMRC for clarification of the payment date and method of transfer. Contact seemed to be more likely when relating to larger amounts.

3.3.3 Underpayments

Underpayments tended to produce a negative emotional reaction and were generally received as an unexpected and unplanned financial burden. Depending on the amount, customers reported feeling worried or anxious, and in some cases angry with HMRC or their employer for making what they perceived to be a mistake. They were considered particularly burdensome in circumstances when resources were already constrained, such as during the pre-Christmas period or alongside a shift from full to lower-waged part-time work.

“I feel quite shocked definitely not good news and can't figure out what it means, or why when I'm paying tax regularly I've ended up owing tax” **Underpayment, Female**

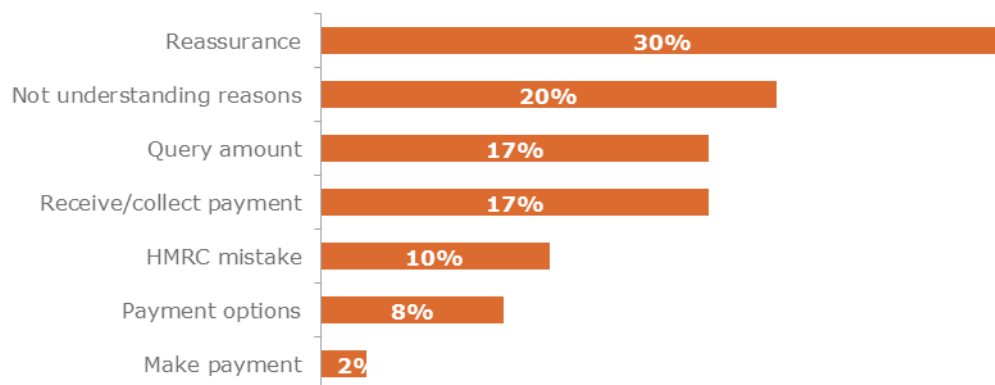
In one or two cases, an individual's employer had provided them with forewarning of an underpayment, which allowed individuals to prepare and seemed to reduce concerns.

Practical reactions varied according to personal circumstances and the amount owed. For amounts considered low, participants generally claimed that they would put the notification to one side. For amounts considered significant, even if affordable, some would contact HMRC for further information and clarification of the amount.

3.3.4 Reasons for contacting HMRC

The *survey findings* revealed that the most common reasons for customers to contact HMRC after receiving a P800 Notice were to seek reassurance and due to their lack of understanding of the reasons why they overpaid or underpaid tax.

Figure 3.2 – Why participant contacted HMRC as a result of receiving a P800 notification



Q4 Please could you tell me why you contacted HMRC as a result of receiving this notification?
Unweighted base=135 (all respondents who said they contacted HMRC)

Qualitative findings support this. Participants claimed to be contacting HMRC for a variety of reasons but these generally related to some need to understand the process rather than any specific query or challenge around amounts. For example, one of the main reasons claimed for making contact was that the reason for the discrepancy in tax paid was not understood. Many

participants also claimed not to understand the Notice itself, and so made contact in order to gain clarification on what was being communicated to them.

Other reasons for making contact included if repayments amounts were large or personal circumstances particularly constrained, in which case some participants claimed that they would make contact in order to discuss concerns around affordability. This was particularly the case amongst those with previous experience of repayment plans who understood that this was an option. Finally, in the case of overpayments, some claimed that they would make contact if the anticipated repayment did not happen within what they considered to be an acceptable timeframe, which was generally felt to be about one or two months.

3.4 Contact points

HMRC were usually the first point of contact for queries after receiving an over or underpayment notification because the P800 notifications were understood to originate from HMRC. HMRC were also seen to be the most authoritative source of information on issues relating to taxation and the only source able to actually deal with issues if there had been some kind of mistake in calculations.

“I would contact HMRC as the letter comes from them, not from my employer” **Overpayment, Male**

More occasionally, individuals claimed that they would also talk to their employer. This could be prompted by the assumption that the over or underpayment had occurred due to some kind of employer error. For individuals with lower levels of confidence dealing with tax issues in particular, employers were considered more approachable and more likely to explain issues in comprehensible language. More generally, participants also claimed that they would be more likely to contact their employer if they noticed a change in their take-home pay or some other change on their pay slip, as this was something they would expect their employer to understand and be able to explain.

3.5 Channels

In the *quantitative survey*, participants who said they had contacted HMRC as a result of receiving a P800 Notice were also asked how they had contacted HMRC. The most common method of contact was telephone (68%). Digital methods of communication were less frequent with around a fifth contacting HMRC through the website or an online form (17%) or via email (17%), and a minority (2%) through webchat.

Qualitative findings show that telephone was the preferred channel for contacting HMRC, as it was seen to be the fastest and most convenient way to receive personalised advice relating to a specific case. Related to this, there was an expectation that telephone handlers should be knowledgeable and able to resolve most queries within the space of one call.

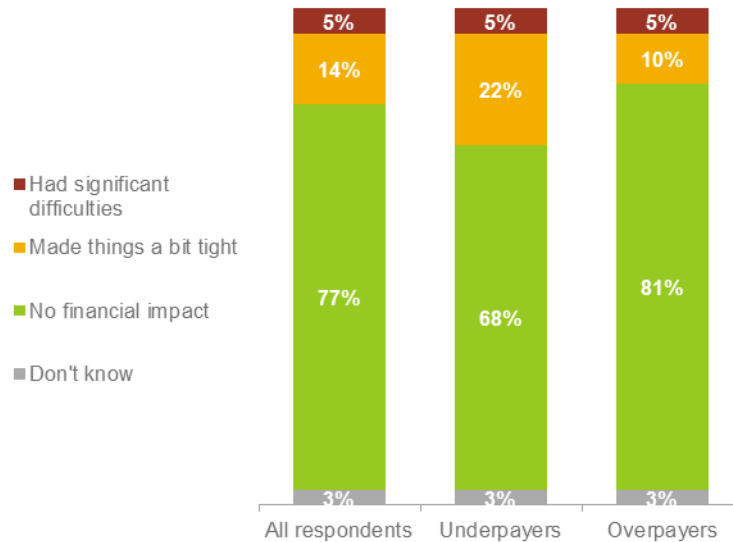
A minority of individuals mentioned referring to the HMRC website for advice, although generally this was not felt to provide the level of advice or explanation needed and so was more suitable as a tool to prepare for phone contact. Occasionally, participants also mentioned sending a letter, although this was generally only as a follow up to telephone contact, as a way to make a more formal request or complaint.

Very few participants were aware of the PTA, and only one or two mentioned using the Webchat feature to contact HMRC. However, there was broader experience of similar services being offered by private organisations such as banks or Internet Service Providers, especially amongst younger participants. The channel could be seen as a convenient way to make contact in one's own time without having to queue and to keep a record of conversations for later reference.

3.6 Financial impact of over and underpayments under the old system

Participants were asked whether they had any financial difficulties with repaying back the underpaid tax to HMRC or as a result of paying too much tax throughout the year. *Survey findings* showed that most of those who underpaid or overpaid tax in tax year 2015/16 did not have any financial difficulties with repaying back to HMRC what they underpaid or as a result of paying too much tax as shown in figure 3.3.

Figure 3.3 – Whether participant had financial difficulties – or thinks they will have financial difficulties - as a result of overpaying or underpaying income tax in tax year 2015/16



Q8 Thinking about your experience of paying [too little/too much] tax in 2015-2016 tax year, did you have any financial difficulties [with repaying back to HMRC?/as a result of paying too much tax]?
If respondent has not paid back: What financial impact, if any, do you think this will have on you?
 Unweighted Base=543 including 8 refusals, (all respondents who remember receiving P800 notification)

Underpayers were significantly more likely to say that it made things a bit tight financially for them compared with overpayers (22% vs 10%). There was no significant difference between overpayers and underpayers in terms of having significant financial difficulties.

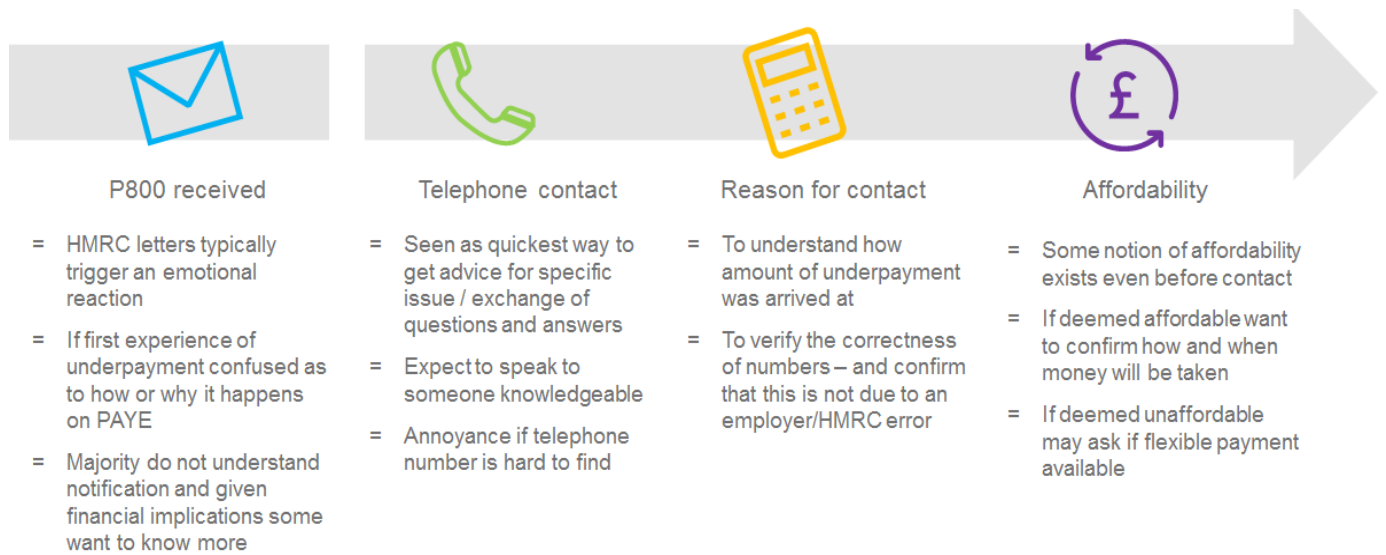
The level of financial impact depended on customers' financial circumstances. Those living in households with less than £25,000 income per year were more likely to say that they had significant financial difficulties (12%) compared with households with more than £25,000 income (3%).

Those who said that they had significant financial difficulties or it made things a bit tight were asked what they did as a result. Participants were given the opportunity to give more than one answer to this question. Just under a third (32%) said they did not do anything, whilst 30% said they adjusted their finances. Around one in ten (9%) said they had to borrow from their friends and family and 7% said they contacted HMRC. A small proportion (5%) said they went into debt as a result.

3.7 Typical customer journeys under the old system

With a focus on those who contacted HMRC as a result of receiving a P800 Notice (31% of respondents to the survey), within the *qualitative* research an archetypal customer journey relating to underpayment emerged (see Figure 3.4).

Figure 3.4 – Typical underpayment customer journey



4. The customer journey under the new system

4.1 Customer views on expected impact of the new system on customer journey

Respondents who were shown the new P2 Notice of Coding during the in-depth interviews generally did not pick up on any references to changes to the system without prompting, reflecting their general lack of engagement with their tax affairs. It was only when changes were explained to customers that they were understood and, even then, many participants were ambivalent, feeling that the changes would do little to affect them, and specifically little to impact on their ability to manage their finances⁵.

"I don't know anything about these things they [HMRC] know what they're doing and if they say that's what it is they must be right" **Underpayment, Male**

Respondents generally expected to react to notifications under the new system in a similar way as to under the old system. Given low levels of understanding of the PAYE system and low levels of engagement with communications, participants generally felt that they would still be likely to contact HMRC in response to underpayment notifications in particular, to understand why the discrepancy had occurred and/or how the amount had been calculated. Some others felt that the switch to the new system, which was also seen to offer less time to prepare for an adjustment to their take-home pay, could lead to an increase in calls from taxpayers concerned about how repayment may affect their finances and wishing to enquire about alternative repayment plans.

4.2 Contact with HMRC under the proposed system

When asked about the desired frequency of notifications under the new system, most participants (69%) said they would like to be notified every time their tax code changed.

In line with this, participants in the *qualitative stage* said that this is to allow them to stay abreast of their tax affairs. Most assumed that their circumstances would not change frequently, and therefore did not expect to receive a notification more than once a quarter. When asked specifically how they would feel if they were to receive twelve notifications in a year, some felt this would be excessive and an administrative burden.

Whilst the customer journey is likely to be similar under the new system, there were some indications that the frequency of contact may change. This was because respondents indicated that if they received a notification each time that their tax code changed, they might need to contact HMRC more often.

"HMRC will need to contact people much more, twice, or three times a year so probably would mean a lot more interaction" **Overpayment, Male**

⁵ Affordability and the impact of the new system and its specific aspects are discussed in detail in chapter 4.

Although less prevalent, a minority of participants with a better understanding of the system also speculated that the decreased lead time between a change in a person’s situation and notification would help to prompt understanding of what had driven the change in their tax code, and could therefore help to address one common reason for contact. Others speculated that, if an individual were to receive multiple notifications, then this may eventually prompt them to develop a better understanding of the system, and again decrease the likelihood of them calling HMRC for clarification. Although it is difficult to say based on the findings of this research, it seems likely that these two factors could, over time, counter some of the increase in calls driven by an increase in the number of notifications.

In the quantitative survey, participants were asked what they do if they received a notification from HMRC informing them that they will be paying more or less tax for the rest of the year. HMRC was found to be the most common point of contact, mainly via the phone, with just under half (47%) saying they would call HMRC (43% said they would call for more information and 6% said they would call HMRC if they found errors in the letter)⁶. Others responded that they would take no action (31%), check the information themselves (7%) and speak to their employer (4%).

4.3 Contact with the employer under the new system

When asked who they would contact if they noticed that the amount of income tax deducted from their salary had changed, over a third (36%) said they would contact HMRC and 30% said they would contact their employer as shown in figure 4.1. However, contact with employers is likely to only occur in cases in which a P2 Notice of Coding is put to the side and subsequent changes to income tax are therefore not linked back to it. As such, the actual volume of contact with employers is likely to be lower than suggested by the figures shown in figure 4.1, as 47% of participants said they would get in touch with HMRC in response to a P2 Notice of Coding.

Further, the actual volume of contact - with HMRC and the employer - is also likely to be lower than suggested by the figures shown in figure 4.1, as the qualitative research suggested those employees who spoke to their employer first may be satisfied by any explanation given by their employer, if the amount was felt to be affordable.

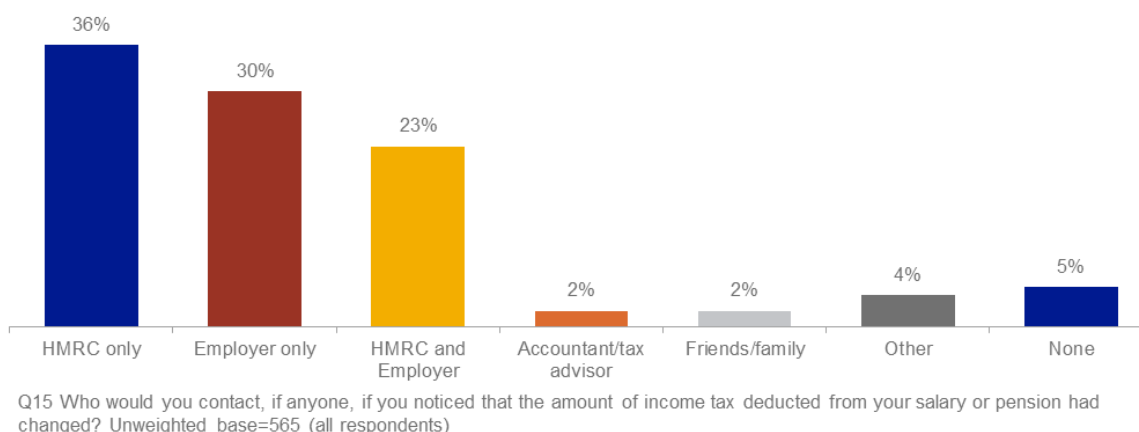


Figure 4.1 – Who participant would contact if they noticed a change in the amount of tax deducted in their payslip

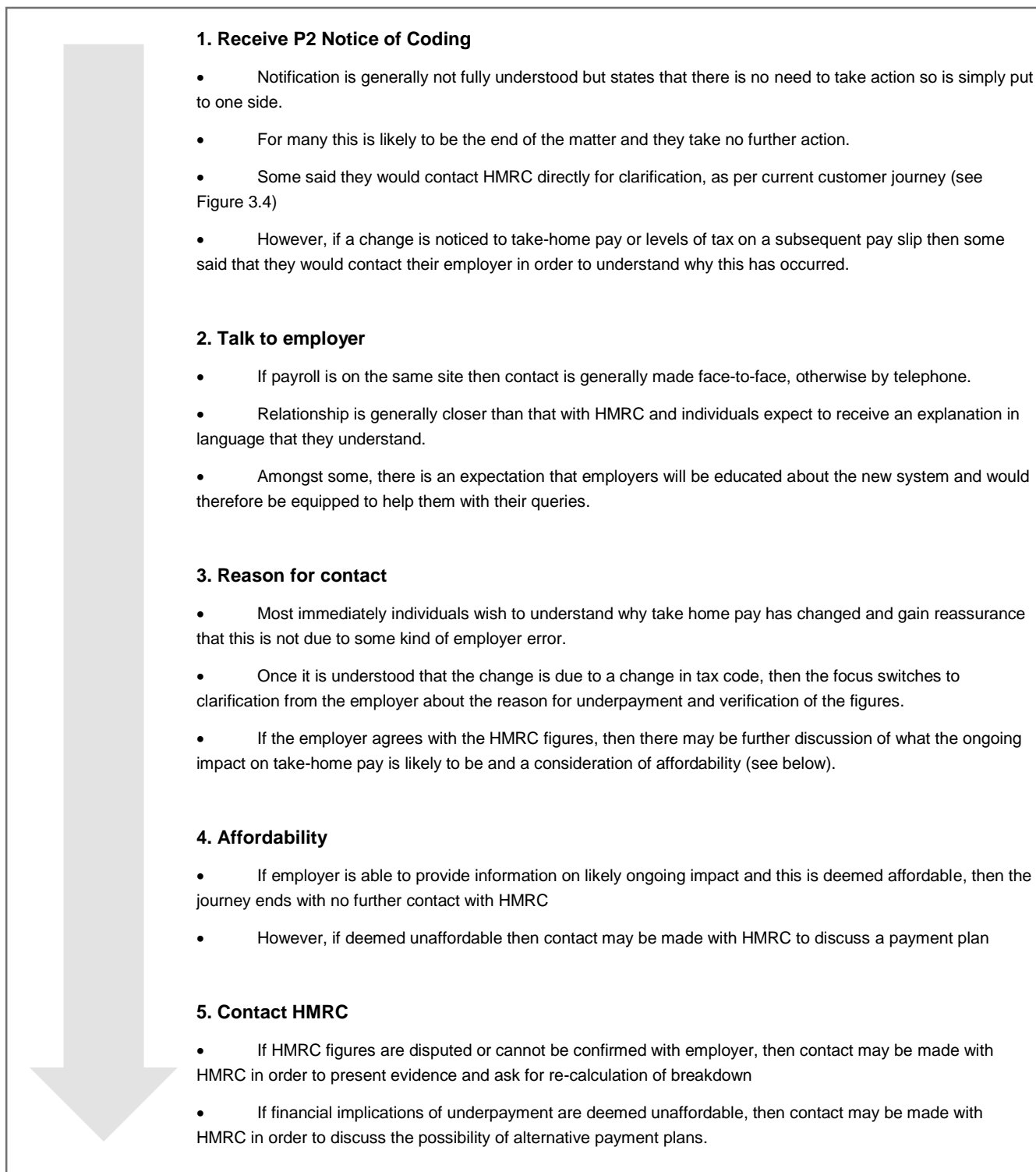
⁶ This question was multi-coded and respondents could select more than one answer. Some respondents selected both ‘Call HMRC if I found errors in the letter’ and ‘Call HMRC for more information/for assurance’ which explains why the response rates for these options don’t sum to 47%.

4.4 Likely customer journey under the new system

As outlined above, the typical underpayment journey under the new system is likely to remain the same as under the old system, with notifications prompting some customers to call HMRC to seek reassurance about why an adjustment has occurred and how the amount has been calculated (see figure 3.4). They may also be more likely to contact employers, where no initial action was taken in response to the P2 Notice of Coding. The likely new underpayment customer journey is set out in Figure 4.2 below.

Although explored less within the research, customers generally felt that overpayment journeys under the new system are also likely to remain unchanged. However, as for underpayments, some felt that they would be more likely to notice changes in their pay packet, and therefore more likely to approach their employer to query why this was, confirm the amount and get an understanding of how long the change may last for. Given that payment is due to happen through changes to their pay packet, they also felt that there was less need to contact HMRC to chase repayment.

Figure 4.2 –Likely alternative underpayment customer journey under the new system



5. Affordability under the new system

5.1 Potential impact of the new system on managing finances

In the quantitative survey, participants were asked for their opinions on how three specific aspects of the system will impact their ability to manage their finances:

- (1) ending the tax year balanced;
- (2) having a longer or shorter time to repay any underpaid tax amount depending on when tax adjustments are made during the tax year;
- (3) an increase or decrease in take home pay as a result of in-year tax adjustment.

Following that, participants were asked for their overall opinions about the proposed changes.

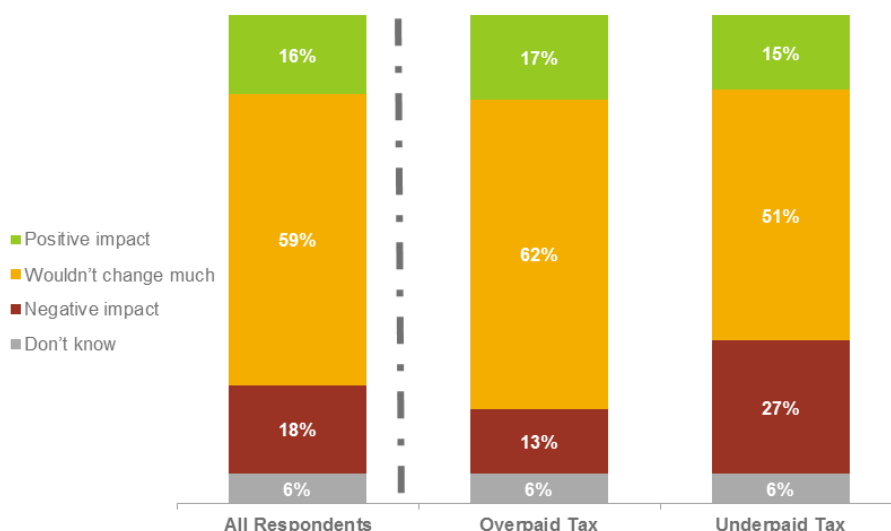
In the *qualitative stage* of the research, in-depth interviews were conducted with participants from the quantitative survey who had experienced financial difficulties as a consequence of their previous over- or underpayment in tax year 2015/16 and claimed they would have affordability issues with paying an additional £8, £17 or £33 per month. This means that the qualitative findings discussed in this section were collected from a sub-set of the population who were more likely to encounter affordability issues in the new system and, as such, may have more negative views about the changes. This approach was taken in order to understand more about the views of customers who may require extra support to manage changes in their tax codes.

5.1.1 Overall opinions on the impact of the changes on ability to manage finances

Survey findings showed that three quarters (75%) of all participants felt that the proposed changes would have no impact or would have a positive impact on their ability to manage their finances. Underpayers were significantly more likely to say that it would have a negative impact compared with overpayers. Both groups had similar proportions who said changes would have a positive impact (see figure 5.1).

Participants who had experienced a financial impact as a result of over- or underpayment in the tax year 2015/16 were more likely to say that new system would have a positive impact and less likely to say that system wouldn't change things much (26% positive, 47% wouldn't change much). This is in comparison to those who did not have a financial impact as a result of over- or underpayments in tax year 2015/16 (13% positive, 63% wouldn't change much).

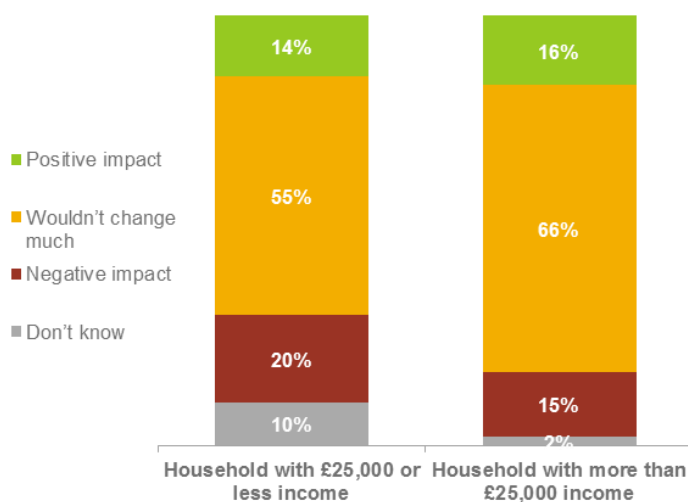
Figure 5.1 - Overall views on the financial impact of new system by overpayers and underpayers



Q28 Based on what you have heard so far, overall what impact do you think these changes will have on your ability to manage your finances? Would you say it would have ...?
 Unweighted Base =565, (all respondents)
 Unweighted Base =171, (respondents overpaid tax; in tax year 2015-2016)
 Unweighted Base =394 (respondents underpaid tax in tax year 2015-2016)

Households with less than £25,000 per annum income were less likely to say that it would not change things much in comparison with households with more than £25,000 per annum income (55% vs 66%). Overall, the majority of participants in both groups said the system would have a positive impact or no impact as shown in figure 5.2.

Figure 5.2 – Overall views on the financial impact of the new system by household income level



Q28 Based on what you have heard so far, overall what impact do you think these changes will have on your ability to manage your finances? Would you say it would have ...?
 Unweighted Base =114, (respondents living in households with £25,000 or less annual income)
 Unweighted Base =311, (respondents living in households with more than £25,000 annual income)

The *qualitative stage* suggested that customers' overall views of the proposed changes were influenced by a number of factors. The move to in-year changes was received positively as a sign that HMRC were trying to do things in a more 'agile' and up-to-date way. This was seen to offer the potential for issues to be identified and resolved more quickly, making it less likely that individuals would end up owing large sums that might then affect their ongoing finances. The idea of repayment within the tax year was also received positively, as it was seen to allow for a quicker resolution of any issues, allowing individuals to begin the following tax year without any outstanding debt. A minority also talked about this in terms of emotional benefits, as they felt it would allow them to start the year with the peace of mind that their tax affairs are in order.

"If there are issues it's better to sort them out quickly so they don't accumulate"

Underpayment, Female

Negative impressions tended to be driven by the idea that, as tax code adjustments will now happen within the tax year, this will offer less time in between receiving the notification and beginning repayment to prepare finances⁷. Given the mechanics of the system, this was felt to be a particular concern if changes were to happen towards the end of the tax year, when repayments would be spread across only a small number of remaining months. Others raised concerns about repayment happening at times of the year when money could already be tight, such as around Christmas. A minority of respondents also lacked confidence more generally in the system, and feared that the facility to apply changes more regularly and on an automatic basis provided additional scope for HMRC to make errors, and less time to address these errors, before repayments were actually claimed.

"I might only have 4 months to pay my tax owed, whereas under the current system I would have 12 months" **Underpayment, Male**

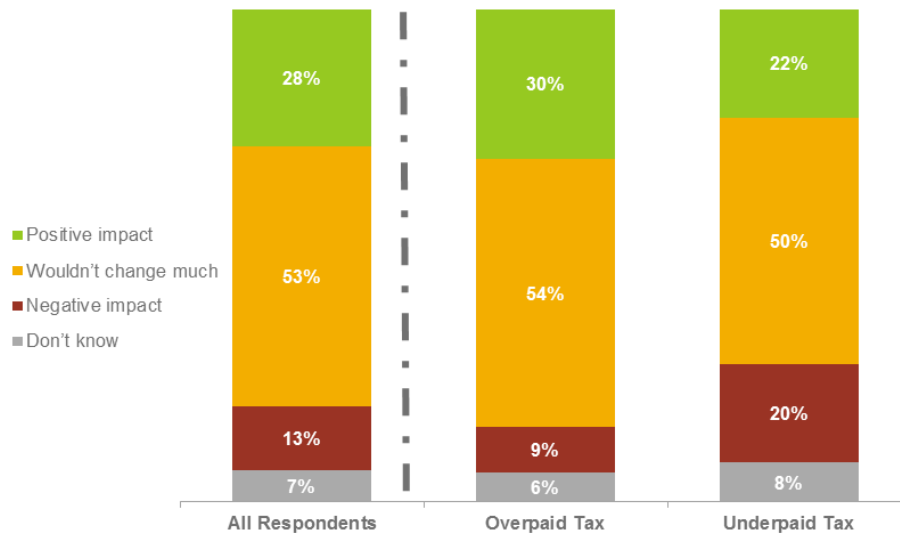
5.1.2 Impact of ending the tax year balanced on ability to manage finances

Under the new system, HMRC will calculate whether customers have paid the right amount of tax throughout the year. Customers will pay HMRC back or receive refunds within the same financial year rather than the next financial year and finish the tax year balanced, with no outstanding debt or refund.

Survey findings revealed that most participants stated that ending the tax year balanced will have no impact (28%) or a positive impact (53%) on their ability to manage their finances. There was a relatively smaller proportion – just over one in ten (13%) – saying that it would have a negative impact, as shown in figure 5.3. Figure 5.3 also shows that, despite overpayers being more positive and underpayers being more negative, in both groups most thought it would have a positive impact or not change things.

⁷ Due to the timing, the materials relating to the forthcoming system (i.e. the P2 Notice and underpayment letters) were in a draft format during the initial focus group stage.

Figure 5.3 – Financial impact of ending the tax year balanced by over and underpayers



Q11 Under the proposed system, HMRC will calculate whether you have paid the right amount of tax throughout the year. You will pay HMRC back or receive refunds within the same financial year rather than the next financial year and finish the tax year with no outstanding debt or refund. What impact would this have on your ability to manage your finances? Would you say it would have...

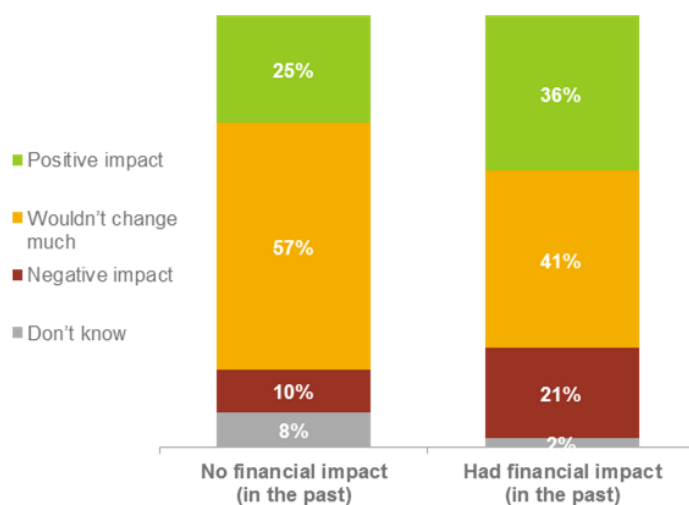
Unweighted Base =545, (all respondents)

Unweighted Base =171, (respondents overpaid tax; in tax year 2015-2016)

Unweighted Base =394 (respondents underpaid tax in tax year 2015-2016)

Participants with experience of financial impact as a result of over or underpayment under the old system were significantly more likely to say that this aspect of the system will have an impact, either positive or negative, compared with those who have not experienced any financial impact under the current system, as shown in figure 5.4.

Figure 5.4 Financial impact of ending the tax year balanced by financial impact as a result of over/underpayment in tax year 2015/16



Q11 Under the proposed system, HMRC will calculate whether you have paid the right amount of tax throughout the year. You will pay HMRC back or receive refunds within the same financial year rather than the next financial year and finish the tax year with no outstanding debt or refund. What impact would this have on your ability to manage your finances? Would you say it would have...

(Unweighted base = 145 (respondents who had financial impact in the past as a result over or underpayment of tax)
Unweighted base = 375 (respondents who did not have financial impact in the past as a result over or underpayment of tax)

Qualitative findings suggested that the majority were positive about the idea of ending the year tax balanced, as they felt that it meant a quicker resolution of issues and less time spent in debt or resolving unpaid tax issues. Others also mentioned that, as changes would be happening throughout the year, there would be less time for large debts to accumulate.

"No one likes to owe money to the tax man" Underpayment, Male

However, a minority were more negative, and felt that, whilst ending the tax year balanced was a positive thing in theory, in practice it would mean less time to repay debts and would therefore have a negative impact on an individual's overall finances (see Section 5.1.3).

5.1.3 Impact of having longer or shorter time to repay on ability to manage finances

Under the new system, HMRC will adjust a person's tax code when certain circumstances change, with a resulting adjustment to take-home pay over the remaining months in that year. Depending on when the coding adjustment is made, customers will therefore have a longer or shorter time to repay the amount of tax they owe. For overpayments, HMRC will repay any money owed to their customers immediately.

The survey findings flagged some concerns around this aspect of the new system. Whilst over half (56%) of participants said that having a longer or shorter time to repay will have no impact (39%) or a positive impact (17%), more than a third (37%) said it will have a negative impact on their ability to manage their finances.

Participants who had previously faced financial challenges as a result of over or underpayment showed some difference in their opinions in comparison to those who had not experienced a financial impact. Those with past financial impact experience were significantly more likely to have a positive or negative opinion (27% positive, 19% wouldn't change things much and 50% negative) in comparison to those who did not experience a

financial impact (13% positive, 46% wouldn't change things much, 35% negative). Similarly, those who felt they would have difficulties paying £33 or less were more likely than others to feel that the change would have a negative impact on their ability to manage their finances (48% compared with 33%).

In the *qualitative stage*, which was conducted amongst those who had previously experienced financial difficulties as a result of over or underpaying tax in 2015/16 and felt they would have affordability issues with paying lower amounts of additional tax, this change also was viewed negatively. In comparison to the current system, it was seen to offer less time to prepare for repayment by, for example, adjusting household finances to accommodate the repayment over a longer period of time. Beyond this, financial impacts were perceived to vary depending on when in the tax year changes take place. For example, participants felt that if a tax code change were to occur towards the end of the tax year, this would allow only a few months in which to make the repayment, creating apprehension about the effect that this could have on take home pay and overall household finances during this period.

5.1.4 Impact of change in take home pay on ability to manage finances

Under the proposed system, HMRC will adjust income tax rates throughout the year in response to a prior over or underpayment of income tax. As such, take home pay may increase or decrease during the year in response to changes in income tax levels.

The survey findings revealed that a significant proportion of respondents were concerned about the potential change to their take home pay. Two in five (40%) stated that this would have a negative impact on their ability to manage their finances. Just under half (45%) said this aspect would not have an impact and a small proportion said (8%) it would have a positive impact.

As with other aspects of the proposed system, participants with and without experience of a previous financial impact as a result of over or underpayment showed differences in terms of their opinions. Those who faced a previous financial impact were significantly more likely to say that this aspect will have a negative impact compared with those with no past financial impact (53% compared to 38%).

Participants' reactions in the *qualitative stage* to the idea of changes in their take home pay varied depending on the amounts involved. For relatively small amounts, customers were generally accepting of the change, as they felt it spread the payment over the remainder of the year and was therefore likely to have little impact. However, others could be more negative about the change, as it offered them little control about how to manage their repayments. As in section 5.1.3 (above), some also took issue with the idea that income would vary from month-to-month whilst outgoings remained fixed, making it challenging to manage finances.

5.2 Affordability scenarios

A number of scenarios were tested to identify the levels at which customers may start to experience financial difficulties if required to make a payment to HMRC under the new system. Participants were given the following scenarios and were asked whether they would be able to pay the monthly amounts and, if they could, whether this would be without any financial difficulties or with some financial difficulties:

- Repayment of £100 to be paid back in 12 months with monthly payments of £8
- Repayment of £100 to be paid back in 6 months with monthly payments of £17
- Repayment of £100 to be paid back in 3 months with monthly payments of £33
- Repayment of £500 to be paid back in 12 months with monthly payments of £42
- Repayment of £500 to be paid back in 6 months with monthly payments of £83

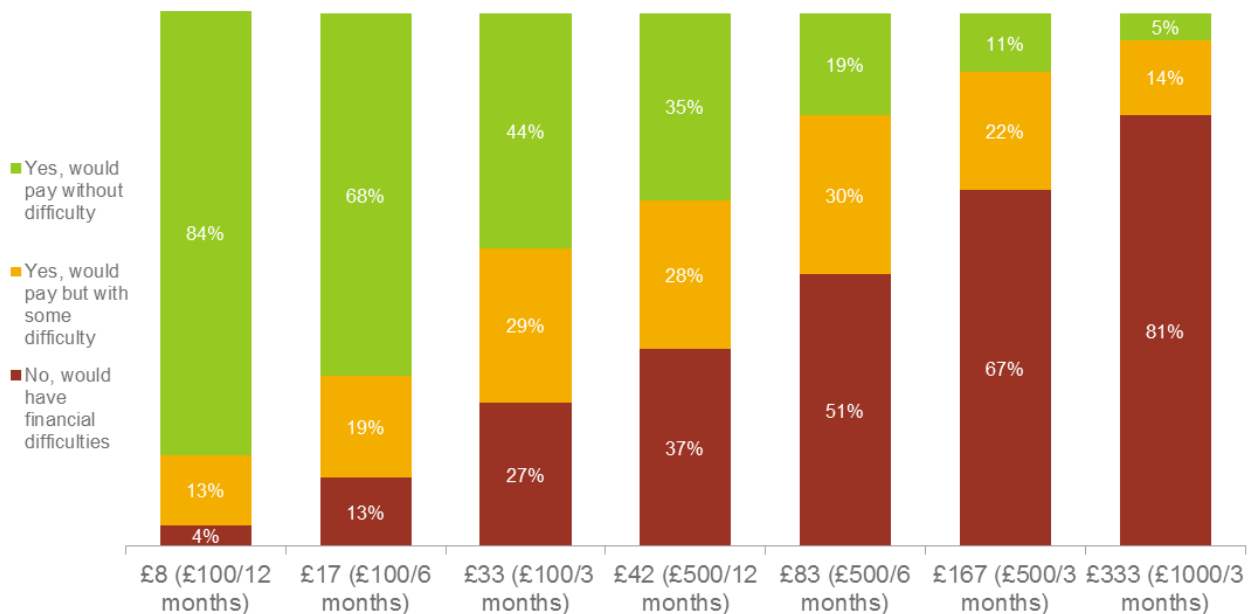
- Repayment of £500 to be paid back in 3 months with monthly payments of £167
- Repayment of £1000 to be paid back in 3 months with monthly payments of £333

As shown in figure 5.5, most participants said they would be able to pay an additional £8 or £17 tax per month without any difficulty. Only a minority (4%) said they would not be able to afford to pay £8 additional tax per month and 13% said they would not be able to repay £17 per month. When they were asked about monthly payments of £33 and £42 of additional tax per month, the majority said they could still pay without any significant financial difficulties. However, higher proportions (28% and 37%, respectively) said they would have financial difficulties paying these amounts.

For amounts over £42 per month, the proportions of participants who said they would not be able to pay increased substantially from 37% for £42 per month up to 81% for £333 per month. For a £83 monthly payment of additional tax, the majority (51%) said they would not be able to afford to pay.

Affordability seemed to relate to the monthly value of the repayments, more than to their overall value, suggesting that the timeframe for repayments is likely to play an important role in determining affordability. This was also suggested by the *qualitative findings*, in which respondents were generally more concerned with how repayments would affect their monthly budget than the overall amount.

Figure 5.5 – How much additional income tax participants would be able to afford to pay per month



Q17-Q23 If you were to pay HMRC back £[amount tested]of additional income tax, do you think you would be able to afford to pay it back over the course of [number of months]months? That's an equivalent of additional [monthly amount] income tax per month.
Unweighted base=565 (all respondents)

If customers face affordability issues, the most common thing they claim they would do in response is to contact HMRC. Over seven in ten said they would contact HMRC if they felt they are not able to afford to pay back the requested amount. The proportion of those who would take additional financial actions such as borrowing from friends and family (8%), adjusting their household budget (3%), or getting a loan (2%) was low.

6. Response to communications and the Personal Tax Account

Across *the qualitative research*, participants were shown a number of different notifications relating to PAYE notifications. In focus groups, they were shown the P800 Notice (see Appendix F) and an initial draft for a new P2 Notice of Coding (see Appendix G), as well as a draft letter relating to the possibility of a coding transition situation under the new system (see Appendix H). In depth interviews, customers were shown a revised new P2 Notice of Coding (see Appendix I), as well as a revised version of the Customer Information letter (see Appendix J)⁵. At both stages, respondents were asked to read through the letters, although due to time limitations we were not able to explore each specific section of each letter in detail.

Despite being tasked to read the notifications, respondents consistently showed a lack of engagement, particularly with the P800 Notice and new P2 Notice of Coding. Content was typically only skim-read, which many respondents claimed reflected their behaviour in real life, when they would simply put communications to one side, or scan them for key information that may require action or have financial implications on their part.

Even when they did engage with communications, there was a clear lack of comprehension of the information contained within both the P800 Notice and the new P2 Notice of Coding. Respondents particularly struggled with anything that they considered 'technical', and many showed little willingness to engage with unfamiliar language or number-based calculations. As a result, most struggled to understand their tax calculations or the implications for their personal finances. Fundamentally, (as discussed in section 3) this lack of comprehension reflected a low level of understanding of tax amongst PAYE customers (see Section 3.1).

A further factor driving disengagement with communication materials was that respondents felt that the majority of communications from HMRC were '*generic*' and not personalised to their circumstances. The current P800 Notice and new P2 Notice of Coding were both considered to look like mass mail-outs and details specific to an individual's situation were generally not picked up on. Practically, this meant that key information was being missed. In particular, respondents struggled to understand the reason for the over or underpayment, how this related to their personal circumstances and how the amounts owed had been calculated. In addition to this, references to 'Improving the tax system' in the new P2 Notice of Coding were generally missed or not understood.

A reference to the PTA, prompting customers to follow a weblink to notify HMRC about changes to their tax code, was also generally ignored. Beyond a general lack of engagement with the notifications, this was also due to a lack of perceived relevance, as customers lacked knowledge of what might change their tax code and there was also no explanation linking the PTA to their over or underpayment. By contrast when potential uses of the PTA were explored in greater detail, it generated significant interest.

6.1 Communications expectations

There was a strong expectation that notifications from HMRC should be written in '*everyday*' language that requires no detailed knowledge of tax to understand. In this respect, the

customer information letter shown during depth interviews was received positively as it was seen to use straightforward language that was easy to understand.

“They should explain it in language that anyone who has been through school can understand... I’m not a tax expert so I don’t know how they expect me to understand this [the final new P2 Notice of Coding]” **Underpayment, Male**

Customers also had a strong expectation that notifications should feel personalised and clearly contain information tailored to their personal circumstances. Specifically, they felt that communications should contain a personalised explanation of the specific reason why they had over or underpaid, so that they can then relate this back to their own circumstances. They also felt that there should be a personalised breakdown of how the over or underpayment was calculated and what the impact would be on monthly repayments, in a format and language that does not require any detailed knowledge of the tax system to understand.

Other information they felt should be included was the telephone number of the HMRC helpline and information on flexible payment options. In cases in which individuals are likely to struggle to repay, knowing these options are available may help minimise stress.

Finally, although respondents were not interested in understanding the details of changes to the PAYE tax system, they did feel that the notification should explain the changes in terms in which they may be relevant for taxpayers. For example, they would prefer to be told in a more direct way that they would receive a notification each time their tax code changes in response to change in their circumstances.

6.2 Detailed response to notifications related to the forthcoming system

6.2.1 New P2 Notice of Coding

Customers were generally able to make a connection between the notification and a change to their tax code. However, details regarding the repayment amount, (termed as ‘Estimated tax you owe’), were generally not noticed. Even in the isolated cases that they were, this tended to raise additional questions about when and how the money would be claimed. The explanation of why there had been a change in tax code (on page 2 of the P2 Notice of Coding) was also generally not noticed or understood.

The more general notification about changes to PAYE, headed ‘Improving our tax system’, was again not normally picked up on and when it was, its relevance was not understood given lack of understanding of the current system.

In terms of how participants might respond to the notification, some were reassured by the message that ‘you don’t need to do anything’, and claimed that they would take no action in response. However, for others, the general lack of comprehension could lead to questions about the meaning of the notification, and risks generating (low value) calls to HMRC for reassurance or clarification.

6.2.2 Customer Information letter

Across the qualitative research, respondents were exposed to two versions of a letter explaining changes to the tax system and how this may lead to a coding transition situation within the transition year⁸, one during focus groups and one during depth interviews. This section refers to the revised version shown during depth interviews, which was received more positively.

Overall, the letter was felt to give a clear and straightforward explanation of the changes to the system and was felt to provide a good model for the kind of language that HMRC should use to address customers. The overall tone and regular letter format was also considered

⁸ Please refer to the glossary for more information

less 'generic' compared to the other two HMRC communications tested and respondents claimed that they would be more likely to read it as a result. Respondents also appreciated that the letter offered advice about support options, as they had felt that this was lacking in the other communications.

However, whilst the explanation of changes to the system was considered to be clear, some respondents were unsure about the meaning of the term 'underpaid'. Specifically, they were unsure about exactly what was meant by underpayment and when it may occur, which could undermine overall comprehension. There was also some confusion about the text referring to 'the end of the year' as it was felt to be unclear which year this referred to (2016/17 or 2017/18). These elements risk creating uncertainty and potentially generating calls to HMRC for clarification.

6.3 The Personal Tax Account

6.3.1 Current use, experience and understanding

Current levels of usage of the PTA were low across the audience at both stages of *the qualitative research*. One or two respondents had previous experience of the service, but had not persisted with use. Across the rest of the audience, there was a low awareness of the service. Some respondents believed that such services were available and necessary for those in self-employment who had the need to complete a self-assessment, but did not understand what the relevance may be to those in PAYE.

Similarly, *in the survey*, just under one in ten (8%) said they were already using the Personal Tax Account. Although the proportion of current users was relatively low, half of the participants (50%) said they would be likely to use the Personal Tax Account after they heard a brief description of it. Just under four in ten (38%) said they were unlikely to use it and a very small proportion (2%) did not have access to the internet.

Those aged under 50 were more likely to use the Personal Tax Account (57%) compared with those who were older than 50 (36%). Relatedly, those who were in employment were more likely to use the Personal Tax Account (53%) compared with pensioners (31%).

Participants who said they were unlikely to use the Personal Tax Account were asked the reason for this. The most common answer given was the lack of interest (42%) and this was followed by the answer that employer/someone else deals with their tax matters (7%). This reflects findings from the *qualitative research* suggesting that PAYE customers have very low levels of engagement with the tax system. In addition, the same proportion said (7%) they found it complicated and 7% said they did not feel confident using online services.

6.3.2 Interest in using PTA under the new system

Although there was little pre-existing use or awareness of the PTA, when participants were exposed to the service during the *qualitative stage* it created considerable interest. Interest was strongest amongst those with experience of conducting other financial matters online, such as online banking and, in a minority of cases, self-assessment. However, the service also had broader appeal, as internet services were generally seen to offer greater convenience. However, given the general lack of engagement with and understanding of tax affairs, there could be some anxiety about taking greater control in case of making a mistake.

"It's a scary place to go at the moment, but everything you need would be there... You can do it on your own at night and I wouldn't have to worry about calling them in the day"

Underpayment, Male

Some other respondents, mainly those who were older or who were not technologically literate, claimed that they would rather speak to someone directly, no matter what services were available online.

Amongst those with an interest, the service was seen to offer a convenient way to explore their tax history at any time and in any place. If the service were to offer the ability to view previous tax codes with explanations for changes, at best some felt that it would enable them to become more educated and engaged with their personal tax affairs. However, even amongst those who were not interested in becoming more educated, there was interest in specific features if they offered a tangible opportunity to help manage tax affairs, such as the option to request or manage repayment plans following an underpayment.

The in-built Webchat service could also generate strong interest for some, especially those with experience of using such approaches with other providers online. As above (see Section 2.4), real-time communication online was seen to provide the opportunity for queries to be made at a time that is convenient to the customer. A number of respondents had experienced long waiting times or a lack of follow-up after contacting HMRC by phone and so appreciated the fact that Webchat was likely to involve less waiting and provide a written record of conversations.

In the quantitative survey, participants who had access to the Internet were told about potential new functions that HMRC may consider implementing as part of the new system and were then asked how likely they would be to use the Personal Tax Account. The two new functions included in the questionnaire were

- (i) getting more information about how HMRC calculated the income tax paid and reasons why there had been an overpayment and underpayment, and
- (ii) ability to pay off any underpayments arising throughout the year online rather than having this amount collected by HMRC changing the amount of tax paid.

Over two thirds of the participants (67%) said they were very likely to use the PTA to get more information about how HMRC has calculated the income tax they pay and 62% said they would be likely to use it to pay off any underpayments. As such, these proposed functions seem to have the potential to increase the likelihood of people who have under or over paid tax using the Personal Tax Account.

7. Conclusions

Amongst PAYE customers who under or overpaid tax in the year 2015-16, understanding of and engagement with the PAYE tax system was low. Customers generally expected HMRC or their employer to calculate and correct their tax code, rather than seeing it as their own responsibility. As a result, customers struggled to understand the reasons for the under or overpayment and often attributed them to an error by their employer or HMRC rather than a change in their circumstances.

Most customers (63%) said they did not do anything as a result of receiving the P800 Notice of an under or overpayment for the tax year 2015-16. Those that did respond generally called HMRC to seek reassurance or clarify the reason for the under or overpayment.

The new system of in-year reporting was generally viewed positively as an attempt to modernise the system, with customers welcoming the fact that they will end the tax year balanced with no outstanding tax liabilities. The majority of customers also felt the new system will not have any adverse impact on their ability to manage their finances. However, some, especially those with lower incomes, were concerned about the reduced time available to address underpayment of tax, especially if a tax code change happens later in the tax year. Related to this, there were also some concerns about the impact that fluctuating levels of take-home pay could have on household finances.

Amongst the overall population, most could absorb a small amount of additional tax per month (<£42 per month) but for subsequent amounts (£83, £167 and £333), the majority of people said they would face financial difficulties. Amongst customers living in households with an income of less than £25,000, only 42% per cent felt that they could afford to pay an additional £42 per month.

In the majority of cases, the customer journey under the new system seems likely to remain very similar to that under the system in place prior to July 2017. When receiving the P2 Notice of Coding of a change in their tax code, just under half (48%) said they would contact HMRC, 4% said they would speak to their employers and 31% they would take no action if they receive a P2 Notice of Coding from HMRC. Thus, HMRC will still be the main point of contact for any queries, with telephone the preferred channel of communication. However, as customers feel that they may be more likely to notice changes to their take-home pay if fluctuations occur more frequently, there is a chance that contact with employers may also occur more frequently – particularly in cases in which customers do not pay attention to or understand the HMRC notification.

Customers expect to be notified each time their tax code changes, which may drive an increase in calls to HMRC, particularly in the short term. In the longer term, there are some indications that the shorter time gap between a change in circumstances and the receipt of a P2 Notice of Coding may help customers to link the two events, driving an understanding of what has led to a change in tax code, and addressing one of the queries that currently drives calls to HMRC.

The introduction of in-year reporting provides an opportunity to encourage take up of the PTA amongst PAYE customers who currently not aware of or do not see much need to use the account. Current use of the PTA is low but, once its functionality in relation to the new system is understood, most customers show an interest in using the PTA to manage their tax affairs, seek additional information and to make payments in their own time.

Communications about the new system should be written in everyday language and should stress the positive aspects of the service – notably that it is a more modern and agile system

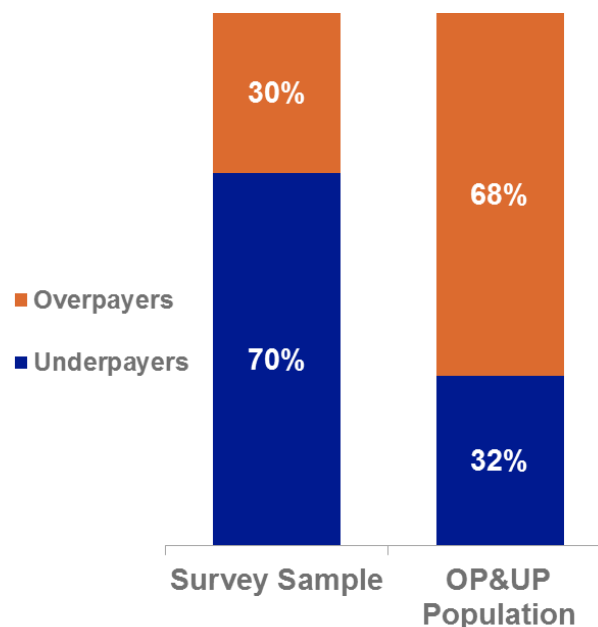
that will ensure customers end the year with no tax outstanding. If possible, customers would like the P2 Notice of Coding to include a clear and personalised explanation of the reason for the under or overpayment and of what the change in the monthly tax charge will be. This will help customers to make the link between the change in tax code and their take home pay and help reduce the possibility of low value contact with HMRC and additional contact with their employers.

Appendix A – Sample profile

Survey sample was drawn by HMRC from their customer database, and included customers who underpaid or overpaid tax in tax year 2015-2016. The sample was stratified by whether the person had underpaid or overpaid income tax as well as the amount over paid and underpaid. Underpayers and customers who had underpaid or overpaid higher amounts were then disproportionately sampled to better understand what support and communication they may need under the new system as the changes are likely to affect these people more.

The sample consisted of 70% underpayers and 30% overpayers Figure 8.1 shows the survey population and over/underpayer population distribution.

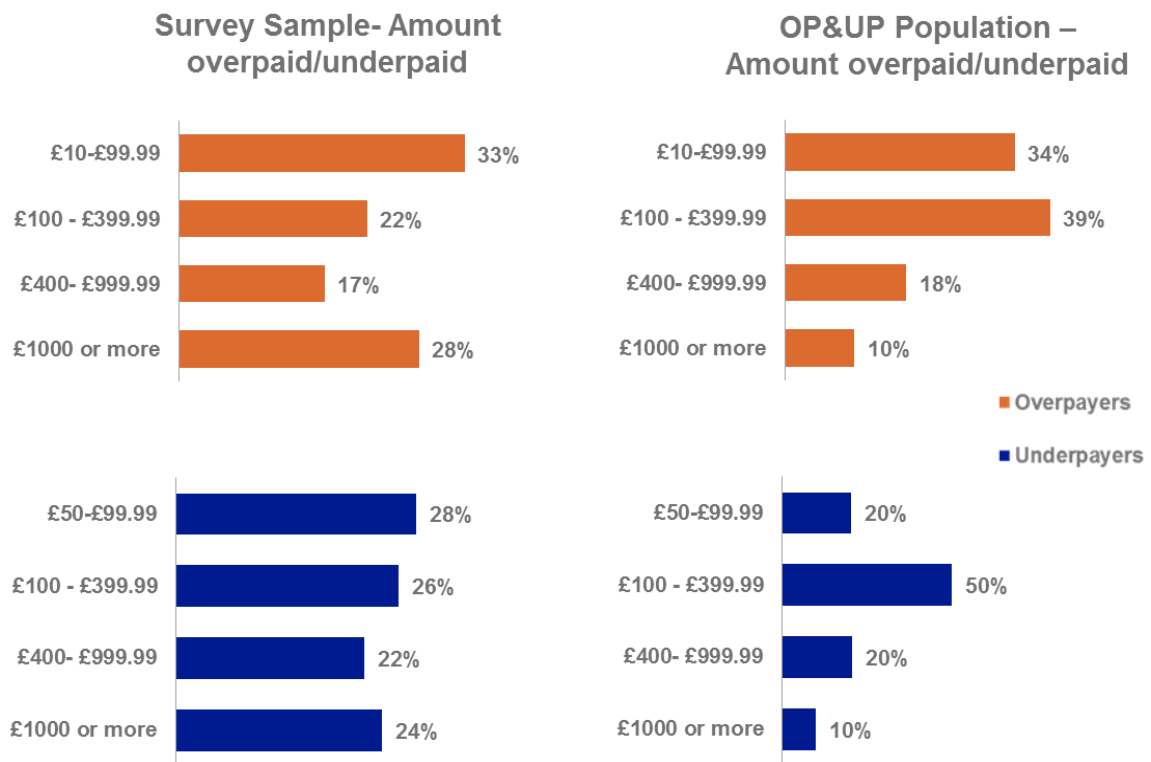
Figure 8.1 - Over and underpayment proportions- survey sample compared with the over and underpayment population



The sample was designed to achieve broadly equal distribution in terms of the amount overpaid and underpaid. The distribution of the survey population and how it compared with the over and underpaid population is shown in figure 8.2

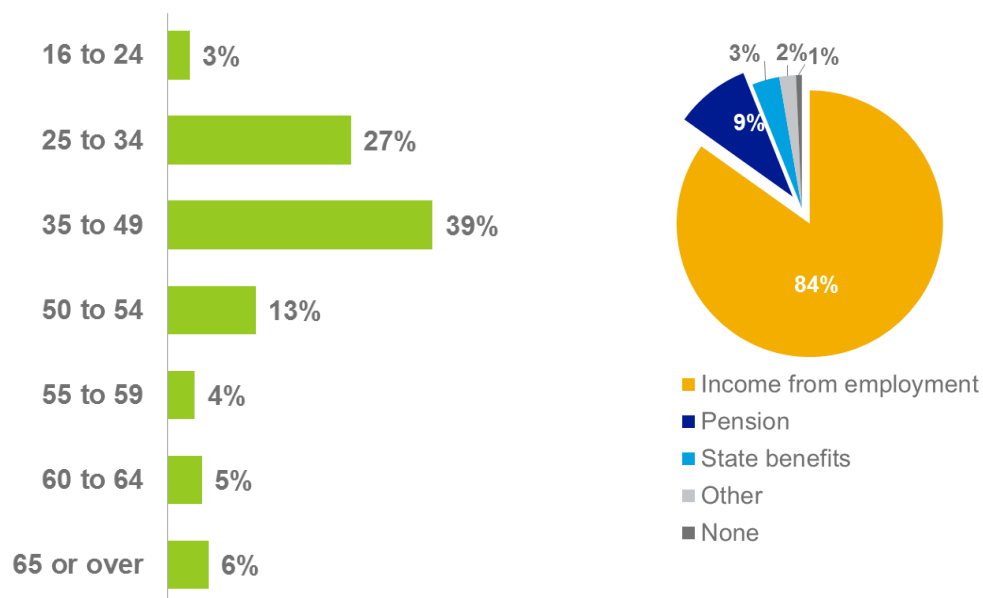
At the analysis stage, findings were then weighted to the sample characteristics of the over- and underpayment population.

Figure 8.2 - Over and underpayment amounts- survey sample compared with population



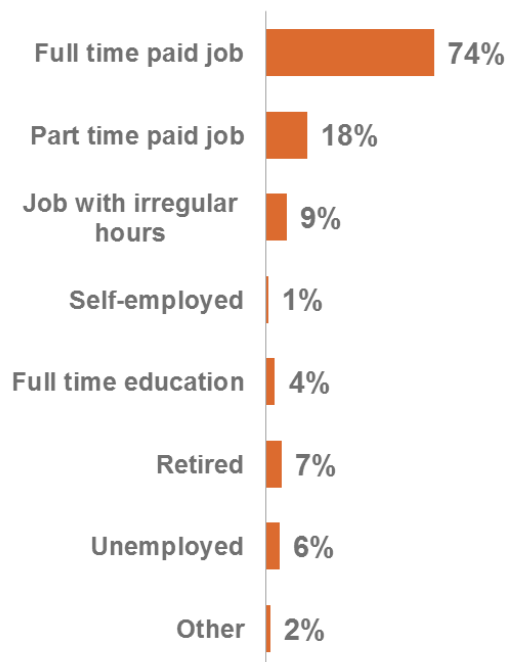
The weighted sample contained people with a spread of ages and working statuses as shown in figure 8.3:

Figure 8.3 - Distribution of age and main source of income



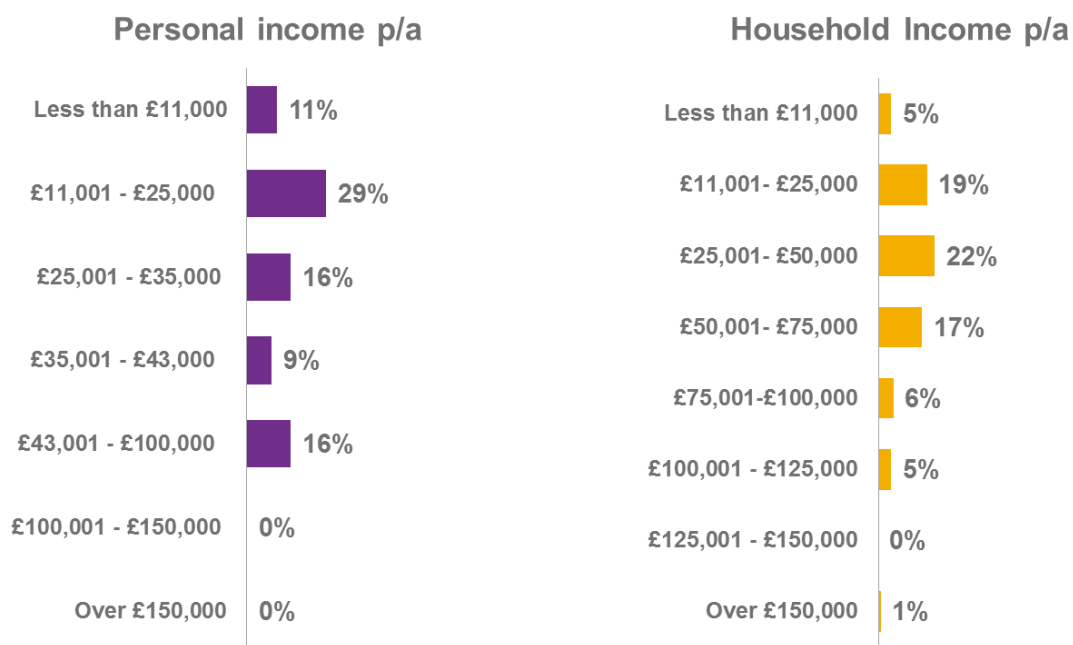
14% of the population had more than one job and three quarters were in a full time paid job as shown in figure 8.4:

Figure 8.4 - Employment Status



Personal income and household income distribution was as below:

Figure 8.5 - Distribution of personal and household income



Appendix B – Sample selection method and weighting details

B.1 Target Population

The target population for this survey is all people who had under or over-paid tax in the financial year 01st April 2015 to 31st March 2016 and been issued with a P800. The thresholds in the table below were set on the amount of under and over payment.

Group	Threshold
Under payment	£50 to less than £3,000
Over payment	£10 or more

In total 8.1 million people were eligible, of those 5.5 million had overpaid tax and 2.6 million underpaid.

B.2 Sample Frame

The sample frame for this survey is the National Insurance and PAYE Service database (NPS). NPS holds details for each employee subject to Class 2 NICS. The selection of the sample from NPS was done by HMRC based on a design developed by Kantar Public and agreed by HMRC.

B.3 Sample Size

565 interviews were achieved with the target population, of which 171 interviews were with those who overpaid and 394 were with those who underpaid. All interviews were conducted by phone.

B.4 Stratification

Those who had underpaid were a priority for HMRC and as such they were given a higher probability of selection than those who had overpaid. Within each of these two groups, a further explicit stratification was done based on the amount individuals had over or underpaid by. This was to ensure a minimum sample size in each final strata. Before selecting the sample, individuals were implicitly stratified (sorted) within each stratum by the amount they over or underpaid before a systematic 1 in N sample was selected. The original design and final achieved numbers by each stratum is shown in the table below.

Stratum		Sample Drawn	Achieved sample size
Under Paid	50 to <200	6,439	111
	200 to <500	7,063	102
	500 to <1000	3,499	87
	1000 +	1,909	94
Over Paid	10 to <100	7,869	56
	100 to <400	4,916	38
	400 to <1000	2,624	29
	1000+	1,927	48

B.5 Weighting

A final weight was calculated to account for the disproportionate sample design and any differential response rates by strata. The design weight, which accounts for the disproportionate sample design is a fixed property of each case and is equal to one divided by the sampling fraction. This design weight is then used as the base weight before calculating the post stratification non-response weight. The final weight ensures the achieved sample is reflective of the target population.

The population targets used for weighting were provided by HMRC. However due to the difficulty of accessing population counts based on the NPS, a random sample of 2% of all eligible individuals was extracted from the frame by HMRC and used to develop the population targets within the over and underpaid groups. The total number of under and over paid individuals who were issued a P800 was provided to us by HMRC – and by combining these two elements of information we could approximate the population targets by the final stratum used and weight accordingly. The population targets for weighting are provided in the table below.

Stratum		Population Estimates	Percentage
Under Paid	50 to <200	1,182,640	15%
	200 to <500	735,028	9%
	500 to <1000	395,152	5%
	1000 +	287,181	4%
Over Paid	10 to <100	1,856,047	23%
	100 to <400	2,033,619	25%
	400 to <1000	1,038,357	13%
	1000+	571,977	7%
Total		8,100,000	100%

Appendix C – Qualitative stage mini group discussion topic guide

HMRC Refresh

Focus Groups – topic guide v5

Background information for researchers

Moving to Real Time PAYE (rPAYE) will bring the old annual tax cycle up to date for the digital age. From May 2017, HMRC will use real time data to make automatic adjustments to people's tax codes throughout the year, so people are more likely to pay the right tax on their income as they earn it. This new system will offer far more certainty for taxpayers, avoiding unexpected bills or debt building-up. And many people will not have to wait to get any overpaid tax back.

HMRC has around 41 million PAYE customers, and we expect this change to affect around 8 million of them. The vast majority of these will benefit from the outset and have no action to take. However around 335,000 customers will notice the transition to the new system: for this group, two consecutive tax years' underpayments could be collected at the same time, taking more money from their monthly income than they will have experienced in the past.

New rules built into the system will mean that real-time corrections will not be made if

- the adjusted tax would be more than double the amount of tax normally paid
- a customer would have to pay more than half of their gross salary in tax
- the amount that needs to be repaid is £3000 or more.

Overall research objectives

This research programme will seek to gauge and understand customer reactions to the changes to the current PAYE system. The research will help inform the content of the communications and messaging that will be supporting these changes. More specifically:

- Determine current understanding and experiences of under/over payment
- Current touch points with HMRC regards over/under payment of tax and changes to tax codes
- Development of customer journey maps for the current system/future system
- Response to the proposed changes (positive/negative); with a particular focus on changing tax codes
- Preference for notification frequency and channel
- Attitude towards underpayments and affordability
- Sources of information and support to understand changes to the tax code HMRC vs. employer
- Most effective messaging informing customers of the changes
- Gauge the most effective channels of communication to inform customers of the imminent changes
- Willingness to utilise the PTA/barriers to uptake; with a focus specifically on the PTA App and live web-chat

Aims of qualitative interviews:

This research will inform the design and development of the quantitative questionnaire

List of stimulus materials and equipment needed

- Marker pens
- 8 Biro's
- A4 Journey Mapping Worksheet
- P800
- PTA example
- Web-chat example
- P2
- Bespoke letters

Incentive:

£40

Introduction and background (5 mins)

Section aim: To introduce the structure of the focus group and inform the respondents of the brief background to the project. In addition, respondents will be encouraged to introduce themselves to the group and to participate in the group discussion

	Approx timing
<p>1. Moderator introduction</p> <ul style="list-style-type: none"> ▪ Introduce yourself and Kantar Public – an independent research agency ▪ We are conducting research on behalf of HMRC ▪ Explain that HMRC is in the process of transforming the tax system for businesses and individual tax payers through Making Tax Digital. The principles behind Making Tax Digital were announced in autumn 2015 and now as part of this process, HMRC is about to introduce some changes to how your income tax is collected via Pay as You Earn (PAYE). The Pay as you Earn system is a method of paying income tax and national insurance contributions, where your employer deducts these from your wages or occupational pension before paying you. In these groups, HMRC wants to explore your views on these changes, specifically those that will impact if you over or underpay via PAYE. <p>Explain:</p> <ul style="list-style-type: none"> ▪ Introduce HMRC attendees (if present) ▪ Length – 90 minutes ▪ Research is confidential and anonymous – findings and quotes will be attributed anonymously. ▪ Recording – shared only with the Kantar Public research team. ▪ MRS guidelines ▪ Everyone is expected to contribute to the discussions ▪ There is a lot of material to cover. If at any point I move you on, it will either be because we are going to come onto that topic a little later on in the guide, or it is to make sure we have a chance to discuss everything, and for me to hear from everyone in the room. 	3 mins
<p>Researcher note:</p> <p>1.2 Participant introduction</p> <ul style="list-style-type: none"> ▪ Participants introduce themselves to the group <ul style="list-style-type: none"> ○ Name ○ Hobbies/how they fill their time outside of work ▪ Current job(s)/or how they fill their time if not currently in employment 	2 mins

Determine current understanding of over/under payment (15 mins)

Section aim: To understand customer experience of HMRC and understanding of income tax, tax codes, current processes and PAYE

	Approx timing
<p>Researcher note: Customers current experiences of HMRC are of interest to the extent that they set the wider context for the ongoing discussion. Therefore do not spend more than 15 minutes on this section.</p> <p>2.1 Current experience of HMRC</p> <p><i>As I mentioned at the start, this focus group is being run on behalf of HMRC. To kick things off it would be great to get a feel for the kinds of situations in which you tend to interact with HMRC, by this I mean when either HMRC make contact with you or you make contact with them, please consider all of these situations and scenarios.</i></p> <ul style="list-style-type: none"> ▪ Ask participants to write responses on post-it notes the situations in which they actively contact HMRC; the situations when they are contacted directly by HMRC and the situations that require two-way dialogue If they are uncertain, prompt with the below: <ul style="list-style-type: none"> ○ PAYE ○ Tax Credits ○ Self-Assessment Tax Return ○ Notify them of a change of employer ○ Receive notification of an over or under payment of tax ▪ Attach the post-it notes to the flip chart (this will be returned to later) in a Venn diagram arrangement i.e. actively contact HMRC; HMRC makes contact with them; dialogue ▪ <i>It seems like you all interact with HMRC in a number of ways with [insert as applicable] being particularly common.</i> 	5 mins
<p>2.2 Interacting with HMRC</p> <p><i>You were asked to complete a pre-task about some of your experiences with HMRC. We are going to use them now.</i></p> <ul style="list-style-type: none"> ▪ Discuss the contact respondents have had with HMRC <ul style="list-style-type: none"> ○ Probe telephone; email; letters ○ Has anyone received a letter and then followed up with HMRC? How did they get in touch with HMRC in this instance i.e. phone vs. online? <i>Probe on why they adopted this approach for contact?</i> ○ What was it that they did not understand? What more could HMRC have included to support their understanding? ○ <i>Probe on those who did not understand the letter so had to pick up the phone</i> ▪ What are their expectations around current levels of communication? <i>Probe: Too much? Too little? About right?</i> 	5 mins

<p>2.3 Current understanding of PAYE, tax codes, tax more generally</p> <ul style="list-style-type: none"> ▪ <i>Explain:</i> Some people find it difficult to understand some of the language around tax and struggle with understanding their tax codes? ▪ <i>Note for moderator, please explain to respondents if low levels of understanding:</i> ▪ Tax code is a code that is worked out by HMRC and sent to your employer or pension provider, who then uses it to work out how much income tax to take from your wages or pension. It will contain a combination of numbers and letters. The numbers show your employer or pension provider how much tax free income you get in that year, while the letters refer to your situation and how this affects your allowances. ▪ Pay as You Earn (PAYE). The Pay as you Earn system is a method of paying income tax and national insurance contributions, where your employer deducts these from your wages or occupational pension before paying you. ▪ STIMULUS 1 - <i>Show respondents P800 document.</i> ▪ <i>Ask respondents to annotate their copy and circle areas that they struggle to understand</i> <ul style="list-style-type: none"> ○ What are the most difficult terms to understand? ○ How do they feel when they receive letters like this, from HMRC? ○ Generally, when they receive letters such as this, what do they do next? <i>Encourage respondents to think about their journey/next steps as this will inform the next section</i> ○ And who do they go to for advice if they do not understand anything linked to their PAYE/tax – why is that? 	5 mins
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Customer Journey Maps (25 mins)

Section aim: To ascertain relevant touch points with HMRC to date and customer experience of these touch points

	Approx timing
<p><i>Check quotas for group and clarify that all in the group over/underpaid their PAYE during 2015/16.</i></p> <p><i>Explain that you want respondents to focus on the over/underpaid scenario only for this exercise, specifically during 2015/16. They can use their pre-task sheets as a reminder, if necessary</i></p> <p><i>Moderator note: This section is likely to take less time for the overpayment group, as they will have less contact points with HMRC</i></p>	3 mins

<p>3.1 Defining an individual Customer Journey</p> <ul style="list-style-type: none"> ▪ STIMULUS 2 – Customer Journey Map ▪ Moderator to hand out a journey map worksheet to each person and ask them to complete it themselves to explain their own experience during 2015/16 when they over or underpaid their income tax via PAYE ▪ Thinking specifically about when you over or underpaid your tax via PAYE during 2015/16, when did you first become aware of this? Probe whether received notification from HMRC or another (employer or pension provider)? Probe on the format of the notification and any recall around content? ▪ Moderator note: Respondents should have received a notification (either a P2 or P800), but respondents may not have recognized this as a letter as such. ▪ We want you to fill in the details on this map, showing us all the communication that you had when you were resolving the under or overpayment of your income tax during 2015/16. Let's use the first notification (as mentioned above) you received as the starting point of your journey. ▪ You can use your pre-tasks to remind you, but we now want you to write down each step that you went through when engaging with HMRC or others, after you received the initial notification. ▪ Step 1: <ul style="list-style-type: none"> ○ First, what steps they go through before, during and after? Ask respondents to sketch out the different communication points with HMRC, the content of this communication and the purpose of it. ○ Get them to record the channel of communication i.e. letter; phone call; PTA ▪ Step 2: <ul style="list-style-type: none"> ○ In the same box, ask them to note against these different steps: ○ All the questions and communication they with their employer or pension provider ○ Note that this may have been at the same time that they had contact with HMRC i.e. when they received the P2/P800 or it might have been a separate contact point ▪ Step 3: <ul style="list-style-type: none"> ○ In box 232, ask them to note against these different steps: ○ All the questions, concerns and support needs they had at each point during this process? ○ Probe specifically about affordability and any concerns that they had about this at any stage of their journey ▪ Step 3: <ul style="list-style-type: none"> ○ Ask them to write in the boxes on their customer journey map: ○ How they felt during the process about HMRC? ○ And how the communication made them feel about themselves? Probe on confidence or lack of and ask them to make a note of this on their map ○ How easy or difficult was it to contact HMRC during the process? Probe specifically on getting through to the call center? 	12 mins
<p>3.2 Discussing individual journey maps as a group</p> <ul style="list-style-type: none"> ▪ Ask 2 or 3 respondents to present their own journeys and individual steps that they experienced when they over or underpaid their tax And thinking about the process of paying tax (that was underpaid) or getting reimbursed (if overpaid), as a group discuss... 	10 mins

<ul style="list-style-type: none"> ○ The steps they have highlighted on their individual maps during this process ○ Clarity and understanding during the process ○ Timings for the process ○ Expectations – did the real experience match expectations, exceed them or fall short? ○ Role played by HMRC at the point of reimbursing or collecting money? Positive/negative perceptions? ○ How they find the process overall in terms of difficulty and their own confidence ○ What questions, concerns and support needs they generally have as they go through the process <p><i>Great – as we go through the next few sections, it will be really useful to keep the journey you’ve just put together at the front of your mind, particularly as we talk through how things might change</i></p>	
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Messaging regarding process changes (10 mins)

Section aim: To test and review the content of the bespoke letter

	Approx timing
<p>4.2 Review messaging stimulus</p> <p><i>Explain that HMRC will send out letters informing customers of the changes to the current process.</i></p> <ul style="list-style-type: none"> • STIMULUS 3 – Customer Information Letter • <i>Moderator Note: This letter will only be sent to a certain group of customers who are likely to be most impacted by the changes that HMRC are making.</i> • Initial thoughts and reactions <ul style="list-style-type: none"> ○ How clear is the information? ○ Are there any difficulties; any words that they do not understand? ○ What additional information do they need? ○ Does this give sufficient explanation? ○ What else do they need? ○ Scope for improvement? • What would their next steps be after receiving the letter? <ul style="list-style-type: none"> ○ <i>Probe on likelihood to do any of the following: Would they contact HMRC? Via telephone? Log on to their PTA? Google? Probe why they would use that specific channel</i> ○ <i>For those that mention telephone: Are there any methods besides telephone that they would consider?</i> ○ Is there any information that could be added to prevent them calling? 	10 mins

Response to proposed changes (15 mins)

Section aim: to understand and explore top of mind reactions (include assumption and expectations) to the concepts behind changes to coding, including what will need to be clarified, corrected or supported by further detail.

	Approx timing
<p>5.1 Establish a baseline understanding of the current process</p> <p><i>One of the reasons HMRC have convened this group is that they are looking to change some of the processes we have discussed around when you over and underpay your tax via PAYE. We are interested in understanding your reactions to these new processes. However, to start with...</i></p> <ul style="list-style-type: none">▪ Clarify that they understand when they currently pay additional tax if they have underpaid during a tax year/when they are reimbursed if they have overpaid during a tax year.<ul style="list-style-type: none">○ What are their expectations around <u>timings</u>? <i>Probe for understanding around collecting owed tax in the following financial year</i>○ <i>Provide explanations for any misunderstandings</i>▪ What factors do you think could have an impact on whether you under or overpay tax?<ul style="list-style-type: none">○ Ask them to reflect on their own customer journeys, and explain what it was in their own circumstances during 2015/16 that resulted in them under or overpaying tax○ What have they learnt from each other's' situations regarding factors that impact over or underpayment?	5 mins

5.2 Testing the concepts

10 mins

I would now like to tell you about the changes that HMRC will make to this current process. Please encourage respondents to refer back to their customer journey maps.

Moderator: Read out the following:

Events during the financial year could cause changes to their tax code, this would mean they would receive a notice from HMRC (P2), they could receive more than one of these in the year if they have lots of events that change their code (e.g. receive more than one BIK, change jobs etc). They would owe HMRC money in that financial year rather than the next financial year. customers will be paying tax back in-year, rather than over the course of the next complete tax year which is the BAU process. Customers will start paying back underpaid tax in real-time (i.e. in the same financial year) and will not get have notice or warning as they do now (i.e. paying it back in the next financial year).

Customers may have less notice about their underpayment, but potentially it may be a lower amount as it has been reconciled earlier in the year rather than waiting to the end of the financial year, Therefore customers would be more likely to end the year balanced and not take debt into the next year.

STIMULUS 4 – HMRC Customer Journey Slides 1 & 2

Ask the following prompts:

- What are their expectations as an HMRC customer?
 - What do they think this would mean for them?
 - Do they see any potential benefits?
 - And what are the potential drawbacks?

 - What impact do they anticipate this having on how they save/affordability?
 - What impact will it have on the frequency/way in which they have contact with HMRC? *Probe: More or less contact? By telephone or other? Why do they think that?*

- Do they have any concerns or questions?
 - Which do they have the most/least questions or concerns about?
 - What impact do they anticipate it will have on the frequency that they are contacted by HMRC?

Views on Underpayments (10 mins)

Section aim: To understand their views on underpayments and affordability. Gauge likelihood to cite financial difficulty as a means to delaying payments

	Approx timing
<p>6.1 Underpayments and affordability</p> <ul style="list-style-type: none"> ▪ What concerns, if any, do they have around affordability if tax to be paid in this current year? ▪ <i>Moderator note: Explain again if necessary that the customers will start paying underpaid tax back in the 'real time' (in the same tax year, rather than the following tax year).</i> <ul style="list-style-type: none"> ○ If they have concerns, what would they do? ○ Who would they approach to discuss their concerns? <i>Probe: Employer? HMRC? Friend? Family? Accountant?</i> ○ If they have concerns, would they prefer to defer payment to the following financial year? <i>Probe on anticipated benefits/drawbacks of doing this?</i> ▪ What concerns would they have regarding any of the following scenarios? <ul style="list-style-type: none"> ○ How would they feel if they owed £100 over a 12 x month period? Or £100 over a 5 x month period? ○ And how would they feel if they owed £1000 over a 12 month period? Or £1000 over a 5 x month period? ○ <i>Probe fully if they would feel differently for different scenarios</i> ▪ What concerns, if any, do they have around affordability if tax to be paid in this current year? <ul style="list-style-type: none"> ○ Would they want a period of notice before having to pay their tax? <i>Benefits/downsides/preferences?</i> 	10 mins

Coding notifications (P2) (15 mins)

Section aim: To gauge the frequency of notifications required and review the content of the P2

	Approx timing
<p>7.1 Frequency of adjustment notifications (P2)</p> <p><i>Moderator Note: You might need to remind them that a P2 is issued when HMRC becomes aware of something that may change their tax code – this means it could now happen multiple times in a year under the new system.</i></p> <ul style="list-style-type: none">▪ Do they want to be notified every time that HMRC makes an adjustment to their tax code? <p><i>Moderator note: Refer to explanation on tax codes Section 2.3, if required.</i></p> <ul style="list-style-type: none">▪ How much info do they want this to contain - would they want to see the reasons why their tax code has been changed?▪ How many times would they expect to receive a coding notification detailing a tax adjustment over the course of a financial year?<ul style="list-style-type: none">○ What is too many notifications?○ How would it make them feel about HMRC if they received 'too many' notifications?▪ Explain that adjustments can be made every 30 days. HMRC are considering limiting P2 notifications to up to a maximum of 12 times a year.<ul style="list-style-type: none">○ Is this about right? Or too many?○ How would it make them feel about HMRC if they received 12 x P2 coding notification letters over the course of a financial year?▪ What would be their preferred channel of communication to receive the P2?<ul style="list-style-type: none">○ By post? Email? Text? Personal Tax Account?	5 mins

<p>7.2 Review P2</p> <p>STIMULUS 5 – P2</p> <p><i>Explain that HMRC will send out letters when an adjustment has been made to their tax. Ask respondents to read through the draft letter. Explain that this is a draft and things may change.</i></p> <ul style="list-style-type: none"> ▪ Initial thoughts and reactions <ul style="list-style-type: none"> ○ How clear is the information? ○ Are there any difficulties; any words that they do not understand? ○ What additional information do they need? ○ What are they likely to do as a result of having received the P2 ○ What else do they need? 	5 mins
<p>7.3 Sources of support on tax affairs</p> <ul style="list-style-type: none"> ▪ If they received a P2 coding notification and had some concerns, who would they turn to for advice? <ul style="list-style-type: none"> ○ Likelihood to call HMRC vs. any alternative (Employer? A family member? A friend?)? <i>Try to understand why they have given the response they have</i> ○ If they say they would call HMRC as the first port of call, probe what alternative options could be offered that would be compelling to deter them from phoning the call center? 	5 mins

Thank you and close (5 mins)

- Any final comments?
- Check they understand how incentive cards work

Thanks and close

Appendix D – Qualitative stage in-depth interviews discussion guide

HMRC PAYE REFRESH

Depth Interview Draft Discussion Guide (1 hour)

Introduction (2 mins)

- **Thanks & introduction:** Introduce yourself and Kantar Public (an independent research agency working on behalf of HMRC), interview will last up to 60 minutes
- **Explain purpose of interview, anonymity and confidentiality:**

HMRC is in the process of transforming the tax system for businesses and individual tax payers through Making Tax Digital. The principles of Making Tax Digital were announced in autumn 2015 and now as part of this process HMRC is about to introduce some changes to how your income tax is collected via Pay as You Earn (PAYE). The PAYE system is a method of paying income tax and national insurance contributions where your employer deducts these from your wages, or occupational pension before paying you. In these interviews HMRC wants to explore your views on these changes, specifically those that will impact you if you over, or underpay via PAYE.

Explain:

- Length 60 minutes
- Research is confidential and anonymous – findings and quotes will be attributed anonymously
- Recording – shared only with the Kantar Public research team
- MRS guidelines
- Consent to record
- Questions/concerns before starting?

Background and Context (3 mins)

Section aim: *To ease the participant into the discussion and gather contextual detail about personal and work-related circumstances to inform and understand the rest of the discussion*

Personal

- Name
- Family and Leisure activities

Work

- Current job – how long, full-time, or part-time, is it their only employment, or are there others e.g. temporary, occasional, part-time
- If not in employment how they fill their time

Current PAYE Experiences (5 mins)

Section aim: *One of the things that emerged from the focus groups is the limited understanding people have of extra income earned and how this relates to PAYE and to Tax Code changes, especially Over and Under Payments; (indirectly) this impacts on budgeting and affordability when faced with an 'unexpected and unplanned' amount to pay back*

Briefly explore

- Understanding of PAYE and what it's associated with
 - Probe if there's more than one employer/sources of income
- Awareness and Understanding of Overpayments/Underpayments
 - Spontaneous, then probe around:
 - Why they happen
 - Focus on Underpayments; how have underpayments been dealt with in the past?
 - Are Underpayments budgeted for? If not why not?

Changing System – Hypothetical Customer Journey (30 mins)

Section aim: *To continue to explore and build on focus group insights on needs, feelings, barriers and contact points and identify information gaps*

Explain that system will be changing from the current one [where HMRC wait to the end of a tax year before calculating tax that people are owed, or need to pay back in the following tax year] to a system where from April 2017 HMRC will update customer Tax Codes as soon as their circumstances change, using information they receive from their employers, or pension providers.

Explain that under the new system, if someone has paid too little [or too much] tax, then HMRC will adjust the amount of Income Tax deducted from their salary or pension for the remainder of the tax year to collect any money owed [or to pay back any refunds]. This means that tax liabilities will be settled in the same tax year rather than the next tax year, and more people should end the tax year not owing HMRC any money [or having HMRC owe them money].

Introduce scenario of a hypothetical Underpayment arising from a P2 Notification and through that explore how individual journeys may differ from the more 'standard' journey

- Introduce P2 – *Explain: you work full time for a bike shop, and are paid a monthly salary through Pay as you Earn. In August 2017 you receive the following notification from HMRC.*

Stage 1: Customer Receives P2 (Show P2 stimulus)

Probe:

- Thoughts and feelings on receiving the notification
- What they understand and what they don't understand – explore overall understanding of the notice (and what it means for them), as well as any specific areas where customers feel understanding could be improved.
- Probe specifically around understanding of tax codes
 - Spontaneous understandings
- What kind of situations do they think might cause them to change? What information they need and who they expect/want to provide it e.g. via PTA
- Is there anything else they would like to see on the P2?
 - E.g. level of detail such as more info about tax codes, or why the underpayment arose?

- Any questions that arise (e.g. why did it happen? What must be done?)
 - Note any spontaneous mention of HMRC errors, but don't probe at this stage
 - Note any mentions of questions that arise around financial difficulties, and explore further – what extra information would be required to settle these questions?
- What (if any) concerns do customers have at this point?
- What do they expect to happen next?

Stage 2: Customer takes action in response to P2.

- Step-by-step process of what they would do after receiving this notice.
 - Would they contact anyone? Or would they just file the notice?
 - If contact would be made also explore Employer, if mentioned
 - When would they contact e.g. immediately, after some time?
 - What are their expectations at each step of the process
- The role of HMRC and what the likelihood is of contacting them
 - Why might they contact HMRC?
 - How would they contact HMRC – via website/email/telephone/PTA?
 - RE PTA PROBE whether the additional text under Note 3, directing customers to the PTA is likely to influence their behaviour i.e. would they choose to use the PTA? What information would they want from it? (More detailed exploration in Section 5)
 - If customers have raised financial concerns, would they contact HMRC to discuss these? If not, what else would they do? If they contact HMRC, what would they expect HMRC to do in response to these?
- **IF** HMRC errors are mentioned, probe...
 - Perceptions of HMRC
 - Confidence in HMRC and in their administration of this new system
- Potential barriers to further action
 - Spontaneously and then probe digital barriers

Stage 3: Customer's Income Tax is Adjusted

Explain: When you receive your next monthly pay-cheque, you notice that your take home pay is lower than usual. You review the amount of Income Tax that has been deducted from your salary, and see that this has increased.

- Explore customer thoughts/concerns at this point. Explore understanding of impact on take-home pay related to changes. Do they understand why their take-home pay has changed? Would they associate this change in tax with the notice they received earlier from HMRC?
- Would customers have any questions at this point? If so, who would they contact [probe around employer and HMRC]? How would they contact them, and what information would they expect to receive?

Relating this back to their own situation, what would this mean for the customer? In particular, explore around any financial difficulties mentioned – would it impact on savings/budgeting etc.? If difficulties were encountered at this point, what would customers do? (if necessary) Explore whether they would want to contact anyone e.g. HMRC

Stage 4: Customer ends tax year balanced:

Explain: It is now April 2018; the end of the tax year. Your take-home pay has been lower than normal for the rest of the tax year, but you have now repaid all the tax that you owed to HMRC. As a result, you now end the tax year balanced, and you start the new tax year with no outstanding debts.

- What are customers' thoughts/feelings at this point? How do they feel about ending the tax year and not owing HMRC money during the next tax year?
- Would they have any outstanding concerns or questions at this point? If so, what would they do to resolve them?

Reaction to hypothetical Overpayment

Explain: Now I would like you to imagine that you have received a similar notification, but this time to inform you that you have overpaid tax – OP example not available so keep it hypothetical

- How would your reaction be different?
 - Probe around various stages...
 - 1. Receiving P2
 - 2. Action in response to P2

- 3. Income tax is adjusted [explain that they would receive the overpaid tax back from HMRC through their salary in a one-off payment, rather than receiving a rebate in the next tax year as is the current system]
- - How would they feel in this scenario compared with the underpayment scenario? Explore feelings around receiving money back in same tax year, rather than next year?
- Explore whether they would be likely to contact anyone in this situation, e.g. HMRC vs employer? Why?

[Try to understand to what extent reactions to changes in take-home pay are different for underpayments vs overpayments]

- 4. Ending year tax balanced – do people feel differently towards this in an overpayment scenario compared with an underpayment?

Affordability (15 mins)

Section aim: *To explore the financial impact, concerns and benefits especially on individuals who may perhaps face more difficulties with affordability under the new system*

Changes – understanding of their impact

- What, if anything, will be the impact of these changes on them?
 - Benefits - Spontaneous, then probe if necessary e.g. up to date, no bigger bills to face
 - Drawbacks – spontaneous, then probe e.g. fluctuations in take home salary, shorter times to pay back tax owed (to HMRC)
 - [prompt to balance benefits and drawbacks in terms of both under and overpayments]
- Remind them that under the new system customers may have less 'advance' notice before tax owed to the HMRC has to be paid back
 - Explore impact e.g. affordability of repayments, budgeting etc
 - Likely behaviour if struggling to afford the repayment amount
 - Are customers aware of any services offered by HMRC to help them manage their tax liabilities if they find it difficult to pay HMRC back the money owed?
 - What would they expect from these services? What could HMRC do to help overcome financial difficulties? How would customers access these services (e.g. appetite for digital, telephone etc)?
- Potential interaction with HMRC
 - More / less contact?
 - Expectations of HMRC if they were to contact – what would they be looking for?

Customer Information Letter (if time available)

Introduction of DU letter: This is a letter that an individual might receive if they have been affected by two consecutive years of underpayments

- *If they received this letter, to what extent would they understand what this may mean for them?*

- *Reactions to letter: What would they do after receiving this letter? Explore any concerns or questions - what would they do next to resolve these concerns or questions? [Explore likely contact with HMRC] [explore contact methods, e.g. use of PTA vs telephone]]*
-
- *Would they expect HMRC to provide any services for customers affected by this [explore in particular around helping them to manage the financial impact of paying back two amounts at the same time]? Explore what services they would expect from HMRC, and how they would expect these to be delivered.*

Note to moderator: If necessary, please reassure interviewee that this is only likely to affect a small number of taxpayers

PTA (5 mins)

Section aim: *To explore possible communication especially for those less likely to use the PTA*

INTRODUCE PTA STIMULUS AND EXPLAIN AS 'YOUR OWN PERSONAL TAX ACCOUNT' WHERE YOU CAN CHECK YOUR DETAILS AND MANAGE A VARIETY OF HMRC SERVICES.

- Explore likeliness to use the PTA. If not likely to use it, why?
- *For those likely to use the PTA: Thinking about what you now know about the new system that HMRC is planning to introduce for people who have paid too much or too little tax, what services do you think should be available in the Personal Tax Account?*
 - If necessary, prompt around the P2 – how likely would they be to log on to the PTA if they received the P2? Is there any more information they would want to be able to view that isn't in the P2? How would they want this information presented?
 - If necessary, prompt around contact – would they use digital methods of contacting HMRC e.g. webchat.
 - If necessary, prompt around wider communications about the new system – would they go online to view more information? What information would they want?
 - If necessary, prompt around digital tutorials/webinars to learn more about the new system – would they use these?
- *For those not likely to use the PTA: Thinking about what you now know about the new system that HMRC is planning to introduce for people who had paid too*

much or too little tax, is there anything that could encourage you to use the Personal Tax Account?

- If necessary, prompt around HMRC communications directing people to digital platforms
- If necessary, prompt around whether there are any specific services that HMRC could offer online that would prompt people to log on to their PTA [specific to under/overpaying tax].

Thank you and close

Appendix E – Quantitative survey questionnaire

Q001 - INTRO:

Single coded

[Not back](#)

INTERVIEWER- YOU ARE CALLING [TITLE] [NAME] [SURNAME]
RESPONDENT ID IS [RESPONDENT ID]

Good morning/afternoon/evening, my name is..., and I am calling from Kantar Public, an independent social research company, on behalf of HM Revenue and Customs.

I would like to ask you a few questions to get your views about some important changes HM Revenue and Customs are planning to make in the way they collect tax from their Pay As You Earn customers. You have been randomly selected from a list of HMRC customers who have [paid too much/paid too little]⁹ tax in 2015-2016 This will help HMRC to shape the services they provide you in the future.

Would you like to take part?

IF NECESSARY: Pay as You Earn is when your employer deducts the tax you need to pay from your salary.

IF NECESSARY: This call would take just under 15 minutes

IF NECESSARY: You do not need to have any previous tax knowledge. Everyone is eligible to take part

IF NECESSARY –IF RESPONDENT SAYS HE/SHE IS RETIRED. Tax is also payable on money you receive as a pension. In this case your pension provider deducts the tax you need to pay from your pension under the same Pay You Earn system

IF NECESSARY: You should have received a letter from HM Revenue and Customs and Kantar Public explaining the details of this research a few weeks ago. ADD IF NECESSARY ; the letter was sent jointly by HM Revenue and Customs and us Kantar Public who are undertaking the research on their behalf

IF NECESSARY: We are happy to send you or email the letter again if you require further re-assurance. [INTERVIEWER MAKE A NOTE OF THE RESPONDENT ID] CHECK IF HAVE EMAIL AND COLLECT EMAIL ADDRESS AND SAY THEY WILL RECEIVE A COPY VIA EMAIL]

IF NECESSARY: All your answers will be kept confidential. Individual answers will never be linked with personally identifiable details such as your name, address or telephone number.

IF NECESSARY: HM Revenue and Customs is the Government Department responsible for collecting the bulk of tax revenue

Normal

1 Yes

↪ GO TO Q002 - A1

2 No

↪ END QUESTIONNAIRE

⁹ Text fill to appear based on whether they overpaid or underpaid tax

Q002 - A1:

Single coded

Not back

Just to let you know, I will refer HM Revenue and Customs as HMRC for the remainder of the study.

I'm going to start by asking you some questions about your experience of paying too much/too little tax during the financial year 2015-16.

IF NECESSARY: This is not about your personal tax situation, but merely your experiences and views of the tax system

Q004 - A5:

Single coded

Not back

Did HMRC send you a notification about this [overpayment/underpayment] of tax or that your tax code had changed ?

IF NECESSARY: This may have arrived either during the tax year (from April 15 to April 16), or after this tax year had finished (after April 16).

Normal

- 1 Yes
- 2 No
- 3 Don't remember underpaying/ overpaying tax [DO NOT READ]
- 99 Don't know/Not sure *Position fixed *Exclusive
- 97 Don't want to answer *Position fixed *Exclusive

Ask only if **Q004 - A5,1**

Q005 - A6:

Multi coded

Not back | Min = 1

As a result of receiving this notification, did you contact:

READ OUT EACH OF THE ANSWER CODES AND ASK FOR EACH IF RESPONDENT CONTACTED- CODE ALL CONTACTED - MULTI CODE

Normal

- 1 Your employer
- 2 HMRC
- 3 Anyone else
- 4 Did not contact anyone [DO NOT READ](single code)
- 99 Don't know/Don't remember *Position fixed *Exclusive
- 97 Don't want to answer *Position fixed *Exclusive

Ask only if **Q005 - A6,2**

Q006 - A6a:

Multi coded

Not back | Min = 1

You said you contacted HMRC. Did you.....?

READ OUT-MULTI CODE

Normal

- 1 Call them
- 2 Send them an email
- 3 Contact via webchat
- 4 Send a letter
- 5 Use any other method (please specify) **Open*
- 99 Don't know/Don't remember **Position fixed *Exclusive*
- 97 Don't want to answer **Position fixed *Exclusive*

Ask only if **Q005 - A6,2**

Q007 - A7:

Multi coded

Not back | Min = 1

Please could you tell me why you contacted HMRC as a result of receiving this notification?

DO NOT READ- MULTI CODE
PROBE- WHAT OTHER REASONS

Normal

- 1- Not understanding reason for under/overpayment
- 2- Seeking reassurance/ confirmation
- 3- To query amount/calculation
- 4- To make a payment
- 5- To query about payment options (e.g. spread payments)
- 6- HMRC had made a mistake
- 7- Other [WRITE IN]
- 8- Don't know/Don't remember [DO NOT READ]
- 9- Don't want to answer [DO NOT READ]

ASK IF A5<>3

Q008 - A8:

Single coded

Not back | Min = 1

Thinking about your experience of paying [too little/too much] tax in 2015-2016 tax year, [did you have any financial difficulties with repaying back to HMRC?] [Did you have any financial difficulties as a result of paying too much tax?]

IF RESPONDENT SAYS THEY HAVE NOT STARTED PAYING BACK CODE THEM AS AND ASK- What financial impact, if any, do you think this will have on you?

READ OUT SINGLE CODE

Normal

- 1- No, it didn't make any difference/ No it won't make a difference
- 2- Yes, it made things a bit tight/ Yes, it will make things a bit tight
- 3- Yes, I had significant financial difficulties / Yes, I will have significant difficulties

99 Don't know *Position fixed *Exclusive

97 Don't want to answer *Position fixed *Exclusive

ASK IF Q008 - A8=2 or 3

Q009 - A4:

Multi coded

Not back | Min = 1

What did you do as a result of this?

IF RESPONDENT SAID THEY HAVE NOT STARTED PAYING BACK IN THE PREVIOUS QUESTION ASK- What are you likely to do as a result of this?

DO NOT READ- MULTI CODE

Normal

- 1 Did nothing/ Won't do anything particular
- 2 Contacted/ will contact HMRC to negotiate the payment terms [SHOW IF UNDERPAID]
- 3 Had to /will borrow money from friends and/or family
- 4 Had to/will get a loan
- 5 Went/ will go into debt
- 96 Other [write in] *Open *Position fixed
- 99 Don't know/Don't remember *Position fixed *Exclusive
- 97 Don't want to answer *Position fixed *Exclusive

Q010 - BT1:

Text

Not back

Thank you very much for your answers. I will now tell you a bit about how overpaid and underpaid tax is dealt with by HMRC. **Currently**, HMRC calculates whether someone has paid too much or too little tax at the end of the tax year. HMRC may then issue a refund or ask someone to re-pay any tax that they owe. If you paid too little tax, then you pay back the tax you owe during the following tax year.

Now, I am going to tell you about some changes that HMRC is planning to implement and will ask you some questions about them,

Q011 - B1ab:

Single coded

Not back

Under the proposed system, HMRC will calculate whether you have paid the right amount of tax throughout the year. You will pay HMRC back or receive refunds within the same financial year rather than the next financial year and finish the tax year with no outstanding debt or refund] What impact would this have on your ability to manage your finances? Would you say it would have...

IF NECESSARY: Currently if you pay too much or too little tax, payments are done in the following year.
IF NECESSARY: HMRC will use the information from different sources, such as information that you or your employer provide, to adjust the amount of tax you pay

READ OUT

Normal

- 1 A positive impact
- 2 A negative impact
- 3 Or would not change things much?
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q013 - B1f:

Single coded

Not back

Under the proposed system, If you paid too little tax, HMRC will adjust the income tax you pay for the remaining months of the tax year so you finish the tax year with no outstanding debts. Depending on when your tax is adjusted, you may have a longer or shorter time to repay. What impact would this have on your ability to manage your finances? Would you say it would have...

USE RELEVANT IF NECESSARY TEXTS IF RESPONDENT ASKS QUESTIONS OTHERWISE DO NOT READ THEM

IF NECESSARY: You will receive a notification from HMRC when they adjust your tax code and the amount of income tax you pay

IF NECESSARY: HMRC will adjust your income tax when your circumstances which impact your tax change- such as when you get a company benefit, when you have a second job etc.

IF NECESSARY: HMRC will use the information from different sources, such as information that you or your employer provide, to adjust the amount of tax you pay

READ OUT IF NECESSARY

Normal

- 1 A positive impact
- 2 A negative impact
- 3 Or would not change things much?
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q014 - B1d:

Single coded

Not back

HMRC will increase or decrease the level of income tax deducted from your wages or pension throughout the year to settle any over or under payments as they happen. This means that your take-home pay may change. What impact would this have on your ability to manage your finances? Would you say it would have...

USE RELEVANT IF NECESSARY TEXTS IF RESPONDENT ASKS QUESTIONS OTHERWISE DO NOT READ THEM

IF NECESSARY: You will receive a notification from HMRC when they adjust your tax code and the amount of income tax you pay

IF NECESSARY: HMRC will adjust your income tax when your circumstances which impact your tax change- such as when you get a company benefit, when you have a second job etc.

IF NECESSARY: HMRC will use the information from different sources, such as information that you or your employer provide, to adjust the amount of tax you pay

READ OUT IF NECESSARY

Normal

- 1 A positive impact
- 2 A negative impact
- 3 Or would not change things much?
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q015 - B4:

MULTI CODE

Not back | Min = 1

Who would you contact, if anyone, if you noticed that the amount of income tax deducted from your salary or pension had changed?

DO NOT READ- MULTI CODE

Normal

- 1 Contact my employer/pension provider
 - 2 Contact HMRC
 - 3 Check/contact with my friends and family
 - 4 Check/contact with an accountant/ tax advisor
 - 5 Wouldn't contact anyone
 - 96 Other [write in] **Open *Position fixed*
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q016 - BT2:

Text

Not back

Thank you. I now would like to go through some scenarios with you. Under the new system, if you pay too little tax, HMRC will ask you to repay this amount for the remainder of the tax year. Depending on when you pay too little tax, this means you could have a longer or shorter time to repay debts. For the following scenarios, please imagine you have paid too little tax and now you have to pay HMRC what you owe.

Q017 - B100A:

Single coded

Not back

If you were to pay HMRC back £100 of additional income tax, do you think you would be able to afford to pay it back over the course of twelve months? That's an equivalent of additional 8 income tax per month.

READ OUT

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q017 - B100A,1,2**

Q018 - B100B:

Single coded

Not back

What about over the course of six months? That's an equivalent of additional £17 income tax per month. Would you be able to afford to pay it back?

READ OUT

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q018 - B100B,1,2**

Q019 - B100C:

Single coded

Not back

What about over the course of three months? That's an equivalent of additional £33 income tax per month. Would you be able to afford to pay it back?

READ OUT

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q019 - B100C,1,2**

Q020 - B500A:

Single coded

Not back

If you were to pay HMRC back £500 of additional income tax, do you think you would be able to afford to pay it back over the course of twelve months? That's an equivalent of additional £42 income tax payment per month.

READ OUT IF NECESSARY

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q020 - B500A,1,2**

Q021 - B500B:

Single coded

Not back

What about over the course of six months? That's an equivalent of additional £83 income tax per month. Would you be able to afford to pay it back?

READ OUT IF NECESSARY

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q021 - B500B,1,2**

Q022 - B500C:

Single coded

Not back

What about over the course of three months? That's an equivalent of additional £167 income tax per month. Would you be able to afford to pay it back?

READ OUT IF NECESSARY

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Ask only if **Q022 - B500C,1,2**

Q023 - B1000A:

Single coded

Not back

If you were to pay HMRC back £1000 of additional income tax, do you think you would be able to afford to pay it back over the course of three months? That's an equivalent of additional £333 income tax payment per month.

READ OUT IF NECESSARY

Normal

- 1 Yes, able to pay without any difficulty
- 2 Yes, able to pay but would make things a bit tight
- 3 No, would have financial difficulties
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

Q024 - B3:

Multi coded

Not back | Min = 1

If you felt you could not afford to pay back HMRC the requested amount, what would you do?

DO NOT READ - MULTICODE

Normal

- 1 Do nothing
- 2 Contact HMRC to negotiate the payment terms
- 3 Borrow money from friends and/or family
- 4 Get a loan from a bank
- 5 Would pay and go into debt
- 96 Other [write in] *Open *Position fixed
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

Q025 - B5:

Multi coded

Not back | Min = 1

When your circumstances change HMRC will adjust you the amount of income tax collected from your salary/pension. You will receive a notification from HMRC informing you that you will pay more or less income tax for the rest of the tax year. What would you do if you received this notification?

DO NOT READ- MULTI CODE- PROBE WHAT ELSE WOULD YOU DO?

Normal

- 1 Do nothing
- 2 File it for future reference
- 3 Check information against my records such as payslips, pensions, personal details
- 4 Speak to my accountant/tax advisor
- 5 Speak to my employer
- 6 Speak to my friends and family
- 7 Write to HMRC if I found errors in the letter
- 8 Search for help on the HMRC website
- 9 Search for help on an internet search engine
- 10 Call HMRC if I found errors in the letter
- 11 Call HMRC for more information/for assurance
- 12 Visit my Personal Tax Account
- 96 Other [write in] *Open *Position fixed
- 99 Don't know *Position fixed *Exclusive
- 97 Don't want to answer *Position fixed *Exclusive

Q026 - B6:

Single coded

Not back

When do you think HMRC should notify you regarding the changes to the amount of income tax you pay? Do you think they should notify you...

READ OUT

Normal

- 1 Every time the amount of income tax you pay changes, regardless of the amount
- 2 Only if the change exceeds a certain amount
- 3 No notifications necessary
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

Q028 - B7a:

Single coded

Not back

Based on what you have heard so far, overall what impact do you think these changes will have on your ability to manage your finances? Would you say it would have ...?

READ OUT

Normal

- 1 A positive impact
- 2 A negative impact
- 3 Or would not change things much?
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

ASK ALL

Q031 - C2:

Single coded

Not back

I now would like to give you some information about The Personal Tax Account. Personal Tax Account is an online service from HMRC that allows people to view information and perform tasks relating to their tax and national insurance contributions, and any child benefit or tax credits they receive, in one place.

IF NECESSARY –it is similar to having an online bank account where you can see all the money coming in and out of your account and make payments

How likely are you to use the Personal Tax Account?

READ OUT

Normal

- 1 Very likely
- 2 Fairly likely
- 3 Not very likely
- 4 Not at all likely

- 5 Or already using the personal tax account
- 6- I don't have access to Internet [DO NOT READ] → GO TO Q041 AGE
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

Ask only if **Q031 - C2,3,4**

Q032 - C4:

Multi coded

Not back | Min = 1

Why you are unlikely to use the Personal Tax Account to monitor the changes to your tax?

MULTICODE - DO NOT READ

Normal

- 1 It is complicated
- 2 Not confident with using online services
- 3 Concerns around doing something wrong
- 4 Prefer to have contact in person/prefer reassurance from speaking to someone
- 5 You don't get personalised advice online as you do over the phone
- 6 Don't think online services are secure
- 96 Other [write in] *Open *Position fixed
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Don't want to answer [DO NOT READ] *Position fixed *Exclusive

Q034 - C3b:

Single coded

Not back

I am now going to read you a few things you can do using the Personal Tax Account

On your Personal Tax Account you can get more information about how HMRC has calculated the income tax you should pay, as well as why you may have paid too much or too little tax during the year. How likely are you to use your personal tax account for this?

READ OUT

Normal

- 1 Very likely
- 2 Fairly likely
- 3 Not very likely
- 4 Not at all likely
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q035 - C3c:

Single coded

Not back

HMRC are looking to introduce a function that allows customers to pay off any underpayments that arise throughout the year online, rather than having this amount collected by HMRC changing the amount of tax deducted from your income. How likely would you be to do this using your personal tax account?

READ OUT

Normal

- 1 Very likely
- 2 Fairly likely
- 3 Not very likely
- 4 Not at all likely
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q031 - C2,1,2,5

Q036 - C8:

Single coded

Not back

HMRC can notify you about any adjustments to the amount of income tax you pay through your Personal Tax Account instead of a letter sent via post. When there is an update, you would receive an email or a text message asking you to log in to your Personal Tax Account to check. Would you prefer to receive these notifications through the Personal Tax Account or a letter sent via post?

Normal

- 1 Prefer to receive via personal tax account
- 2 Prefer to receive a postal letter
- 3 Already receiving it in the Personal Tax Account [DO NOT READ]
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Don't want to answer [DO NOT READ] **Position fixed *Exclusive*

Q031 - C2,1,2,5

Q037 - C9:

Multi coded

Not back | Min = 1

If you were to experience an issue, have a misunderstanding or have a question while managing your tax liabilities on your Personal Tax Account, what would you do?

DO NOT READ- MULTI CODE
PROBE- WHAT ELSE WOULD YOU DO?

Normal

- 1 Ask for help from a friend /family/relative
- 2 Contact employer/ Contact Finance department at my employer
- 3 Call HMRC
- 4 Write to HMRC
- 5 Use the 'Web Chat' function (real time text (typed) conversation with someone at HMRC)
- 6 Look for information on the HMRC / GOV.UK website(s)
- 7 Look for information on other websites
- 8 Speak to an accountant or a tax advisor
- 9 Stop using it
- 10 Do nothing
- 96 Other [write in] **Open *Position fixed*
- 99 Don't know **Position fixed *Exclusive*
Don't want to answer

Q041 - AGE:

Single coded

Not back

How old were you on your last birthday?

INTERVIEWER- IF RESPONDENT DOESN'T WANT TO ANSWER ASK THEM WHICH AGE BAND THEY FALL INTO
READ IF NECESSARY

Normal

- 1 16 to 24
- 2 25 to 34
- 3 35 to 49
- 4 50 to 54
- 5 55 to 59
- 6 60 to 64
- 7 65 or over
- 97 Do not want to answer [DO NOT READ] **Position fixed *Exclusive*

Q042 - D5:

Multi coded

Not back | Min = 1

What was your employment status in tax year 2015-2016 that is between April 2015 and April 2016.

MULTICODE – INTERVIEWER- READ **EACH** OF THE ANSWER CODE AND CODE IF RESPONDENT SAYS YES. WE WANT TO MONITOR MULTIPLE EMPLOYMENT STATUS

Normal

- 1 Working full time in a paid job
- 2 Working part time in a paid job
- 3 Working in a job with irregular hours (e.g. zero hours contract)
- 4 Self-employed (e.g. registered with HMRC as such)
- 5 In full time education
- 6 Retired
- 7 Unemployed
- 96 Other [write in] *Open *Position fixed
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 97 Prefer not to say [DO NOT READ] *Position fixed *Exclusive

Ask only if **Q042 - D5,1,2,3,4,5**

Q043 - D6:

Single coded

Not back

In tax year 2015-2016, did you have more than one job at the same time?

IF NECESSARY: Tax year 2015-2016 is between April 2015 and April 2016.

IF NECESSARY: I mean did you have more than one employer or did some self-employed work alongside your main job?

READ OUT

Normal

- 1 Yes, I had more than one job
- 2 No, I had only one job

Q044 - D8:

Single coded

Not back

And what is your main source of income?

READ OUT

Normal

- 1 Income from employment/self-employment
- 2 Pension
- 3 Any other benefits and entitlements such as Job Seekers' Allowance
- 96 Other [write in] *Open *Position fixed
- 99 Don't know [DO NOT READ] *Position fixed *Exclusive
- 98 None of the above [DO NOT READ] *Position fixed *Exclusive
- 97 Prefer not to say [DO NOT READ] *Position fixed *Exclusive

Q045 - D9:

Single coded

Not back

Generally, how would you describe how much money you spend each month?

IF NECESSARY: Please think of a typical month

READ OUT

Normal

- 1 I usually spend less than I earn
- 2 I usually spend about the same as I earn
- 3 I usually spend more than I earn
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*

Q047 - D11:

Single coded

Not back

Could you please tell me your annual PERSONAL income? That is the gross amount i.e. before any tax or national insurance contribution is paid [but after adding benefits and tax credits if you are receiving any?]?

INTERVIEWER: IF RESPONDENT DOESN'T WANT TO ANSWER READ INCOME BANDS ASK WHERE THEY FALL INTO- OTHERWISE DON'T READ THE BAND

Normal

- 1 Less than £11,000 per annum
- 2 Between £11,001 and £25,000
- 3 Between £25,001 and £35,000
- 4 Between £35,001 and £43,000
- 5 Between £43,001 and £100,000
- 6 Between £100,001 and £150,000
- 7 Over £150,000 p.a.
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*
- 97 Prefer not to say [DO NOT READ] **Position fixed *Exclusive*

Q048 - D11a:

Single coded

Not back

Could you tell me what your annual HOUSEHOLD income is? That is the gross amount i.e. before any tax or national insurance contribution is paid but after adding benefits and tax credits if you are receiving any?

INTERVIEWER: IF RESPONDENT DOESN'T WANT TO ANSWER READ INCOME BANDS ASK WHERE THEY FALL INTO- OTHERWISE DON'T READ THE BAND

Normal

- 1 Less than £11,000 per annum
- 2 Between £11,001 and £25,000
- 3 Between £25,001 and £50,000
- 4 Between £50,001 and £75,000
- 5 Between £75,001 and £100,000
- 6 Between £100,001 and £125,000
- 7 Over £125,001 and £150,000 p.a.
- 8 More than £150,000
- 97 Prefer not to say [DO NOT READ] **Position fixed *Exclusive*
- 99 Don't know [DO NOT READ] **Position fixed *Exclusive*

Q049 - D12:

Single coded

Not back

HMRC is planning to conduct further research about these proposed changes. Can Kantar Public re-contact you for this purpose and if we have any questions about this research within the next 6 months?

Normal

- 1 Yes
- 2 No

Q050 - CLOSE:

Text

Not back

That's all the questions we have for you. Thank you very much for your time

Appendix F – Communications tested – P800 notice¹⁰

196774:00000007:001_001



MR BBTESTFIRSTNAME C AATESTSURNAME
88 TESTING ROAD
TESTTOWN
TESTSHIRE
XX77 6YY

If you claim online you could receive your refund within 3 to 5 days. Go to www.gov.uk/claim-tax-refund

16 May 2016

For MR BBTESTFIRSTNAME C AATESTSURNAME

National Insurance number A*****56B

Tax calculation for the year 6 April 2015 to 5 April 2016.
You have paid too much tax. HMRC owes you £100.00

Claim your money back through your new Personal Tax Account

You can get your refund fast, straight into your bank account, if you claim online through your Personal Tax Account. Go to www.gov.uk/claim-tax-refund

If you claim online you could receive your refund within 3 to 5 days. If you don't claim online within the next 45 days, we will send you a payable order.

Why you have paid too much tax

Each year we check everyone's Pay As You Earn account to see if the correct amount of Income Tax was collected. We have now looked at the latest information we hold for this year and have worked out that you have paid too much tax. We provide a full calculation and explanation in this document.

Please check this calculation

You must tell us if you think the information we hold is wrong or about any changes to your taxable income. Please see the notes.

Go online

The Personal Tax Account is the new way of managing all of your tax affairs. Use this to see more information, make sure you're paying the right amount of tax and tell us about in-year changes. Save paper by signing up for our paperless service. You'll get an email notification when something changes and you can keep all of your information secure in your Personal Tax Account.

P800
HMRC 06/15

Page 1

www.gov.uk

¹⁰ Tested in minigroups

Full tax calculation for MR BBTESTFIRSTNAME C AATESTSURNAME
National Insurance Number A*****56B
For the tax year 2015-16

For more information go to www.gov.uk/P800

Please show this tax calculation to your tax adviser if you have one.

Income	Income	Income Tax
P SODERQVIST	£5000.00	£100.00
Total	£5000.00	£100.00

Less your allowances	Amount	Income
Personal Allowance	£10600.00	
Total tax free amount	£10600.00	
Your total taxable income		£0.00

Result	Income Tax
Total tax payable	£0.00
Tax you've already paid	£100.00
HMRC owes you	£100.00

This calculation is broken down into the following sections (where appropriate)

Income	Your income and the tax you paid from jobs or pensions, any taxable state benefits (including State Pension) received from Department for Work and Pensions (DWP) and any savings or investments. It includes any benefits paid to you by your employer. For more information go to www.gov.uk/income-tax
Deductions	Any tax relief to take account of things like professional subscriptions, expenses associated with your employment for things like tools and special clothing, retirement annuity payments, death and superannuation benefits (if not already given). For more information go to www.gov.uk/income-tax-reliefs
Allowances	Most people in the UK get a personal allowance. This is the amount of income you can have before you pay tax. There are other allowances due, for example, for those who are visually impaired. For more information go to www.gov.uk/income-tax-rates
Income Tax rate(s)	The tax you pay depends on the amount of your income once your deductions and allowances have been taken off. You can check the details against the P60s, P45s and P11Ds your employer or pension payer may give you. For more information go to www.gov.uk/income-tax-rates
Adjustments	Any tax owed for an earlier year that we have not yet collected or repaid to you will be shown here. Married Couple's Allowance (due to married couples or civil partners where at least one of you was born before 6 April 1935), outstanding debt (for example from tax credits or Self-Assessment) or tax relief due for interest paid on certain loans will also be shown here. If we show a repayment supplement in your calculation this is because we pay you interest when you have paid too much tax and we delay your repayment. We will add interest to your repayment if we do not repay you until after 31 January following the tax year that the repayment relates to.

Explanation

No Tax Due

Your taxable income was less than your tax-free Personal Allowance. You did not need to pay tax.

Appendix G – Communications tested – Draft new P2 Notice of Coding¹¹



Your tax code notice

12345678910

Jayne Perkins
88 Testing Road
Testtown
TESTSHIRE
PO57 C0D3



13 December 2016

Dear Ms Jayne Perkins
National Insurance number Q*****56A

This is to tell you your tax code(s) for 6 April 2017 to 5 April 2018

Your tax code is used by your employer(s) and/or pension provider(s) to work out how much Income Tax to collect from your pay or pension. We send them a separate tax code notice.

This tax code should match those shown on any future payslip(s)/pension advice slip(s) received after 6 April 2017.

Please check the information below. If it's right, you don't need to do anything.

If you think your tax code is wrong, you can check and let us know of any changes online, go to www.gov.uk/personal-tax-account

This is how we worked out your tax code(s)

Your tax-free amount		For help	
Personal allowance	£11500	Go to note 1	
Total	£11500		
Less previous year adjustment	£1000	Go to note 2	
Less current year adjustment	£5000	Go to note 3	
Total tax-free amount	£5500		
Your total tax-free amount is used as follows		For help	
Dave's Garden Centre	£5500 of this income is tax-free	550L X	Go to note 4
This totals your tax-free amount	£5500		Go to note 5
Previous year adjustment	£1000		Go to note 2
Current year adjustment	£5000		Go to note 3

Improving our PAYE system

We're making tax easier. We're improving our Pay As You Earn (PAYE) system to make automatic adjustments to both your tax code and the amount of tax you pay. This will mean you should pay the right amount of tax on your income as you receive it rather than at the end of the year.

P2

Page 1

HMRC 12/16

¹¹ Tested in minigroups

These notes will help you understand how we have worked out your tax code(s)

Note 1	Personal Allowance	This is the standard amount of taxable income most people can have before they start paying Income Tax. If your total income exceeds £100000, your allowance goes down proportionally.
Note 2	Previous year adjustment	We've checked the Income Tax you paid from a previous year. From this, we've worked out that you haven't paid enough tax. You owe us £500. We've included an adjustment to reduce your tax-free allowances by £5000 so we can collect the £500 tax in equal instalments. To make sure you pay the £500 by 5 April 2018, we'll increase the amount of tax deducted from your wage or pension.
Note 3	Current year adjustment	<p>Due to an in year adjustment to your tax code(s) we think that you will owe HMRC £100. So that you pay the right tax for the year, we have included an adjustment to reduce your tax-free allowance by £1000 to collect the £100 tax in equal instalments from now on by increasing the tax deducted from your wage, salary or pension so that the £100 is paid by the 5 April 2018.</p> <p>This is in addition to the tax you owe from an earlier year.</p> <p>The easiest way to check or query this adjustment is by using your Personal Tax Account, go to gov.uk/personal-tax-account where you can view or change your tax information and contact us if you need additional support. Our online services are available 24/7.</p>
Note 4	Tax code L	Shows you are entitled to the standard tax-free Personal Allowance.
	Tax Code ending in X	Shows we will review the tax you have paid after 5 April.
Note 5	Tax-free amount	<p>To create your tax code, we've removed the last digit of your tax-free amount and included a letter. If you have more than one source of income, your tax-free amount may be split across these. We tell your employer(s) or pension provider(s) your tax code but we do not tell them how we worked it out.</p> <p>If your total income and taxable state benefits for the year are more than your tax-free amount then you will pay tax as follows:</p> <ul style="list-style-type: none"> • at 20% on the first £32000 • at 40% on income between £32001 and £150000 • at 45% on anything over £150000

Please keep this tax code notice

You may need it if we send you a P800 Tax Calculation or if you have to complete a Self-Assessment tax return. If you have an agent or representative supporting you with your tax affairs you may want to share this letter with them.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.gov.uk/hmrc/your-charter

Most people don't need to respond to this letter. If you do need to contact us

Online

To tell us your current tax-code is wrong	www.gov.uk/tax-codes
To update your name or your address	www.gov.uk/tell-hmrc-change-of-details
Welsh language	www.gov.uk/government/organisations/hm-revenue-customs/contact/welsh-language-helplines

By telephone

Calling from within the UK	0300 200 3300
Welsh language	0300 200 1900

If you have additional needs

We have a range of services for disabled people. These include guidance in Braille, audio and large print. Most of our forms are also available in large print. Please contact our helplines for more information.

Text relay service	18001 and then 0300 200 3300
Textphone	0300 200 3319

Appendix H – Communications tested – Draft customer information letter¹²

Jayne Perkins
88 Testing Rd
Testtown
TESTSHIRE
PO57 C0D3

24 January 2017

Dear Ms Jayne Perkins

Changes to the way we collect your tax

We are making some changes to the Pay As You Earn (PAYE) tax system. From May 2017, we'll update most of our customers' tax codes as soon as we hear about a change affecting their tax from their employers or pension providers.

Until now, we've usually waited until the end of each tax year before calculating any tax that people are owed or need to pay back. These changes will make sure most people pay the right amount of tax at the right time, and won't face unexpected tax bills at the end of the year.

What this change means for you

You don't need to do anything now and this letter is only for information. I am writing to let you know about these changes because you have had regular changes to your tax code and underpaid tax in the past.

If you're already paying back tax from previous years, and your income changes again in 2017/18, it's possible we will need to collect tax from different years at the same time. This could mean you have more tax taken from your earnings than normal, to make sure you have paid the correct amount of tax by the end of the tax year.

What happens next

We will contact you if we need to alter the amount of tax you will pay this year. We will do this in the normal way, through a tax code notice which we'll send to you in the post, or online, from June. This will explain the amount of tax you owe, where to go to learn more about your tax code and what support is available to you – for example, if you need to spread the payments over a longer period.

If you use an agent or a representative to help with your tax affairs, please send them a copy of this letter.

Yours sincerely

Ruth Owen
Director General, HMRC Customer Services

¹² Tested in minigroups and in-depth interviews

Appendix I – Communications tested – Final new P2 Notice of Coding¹³



Your tax code notice

12345678910

Jayne Perkins
88 Testing Road
Testtown
TESTSHIRE
PO57 0DD3



1 August 2017

Dear Ms Jayne Perkins
National Insurance number Q*****56A

This is to tell you your tax code(s) for 6 April 2017 to 5 April 2018

Your tax code is used by your employer(s) and/or pension provider(s) to work out how much Income Tax to collect from your pay or pension. We send them a separate tax code notice. This tax code should match those shown on any future payslip(s)/pension advice slip(s) you receive. Please check the information below. If it's right, you don't need to do anything. If you think your tax code is wrong, you can check and let us know of any changes online, go to gov.uk/personal-tax-account

This is how we worked out your tax code(s)

Your tax-free amount		For help
Personal allowance	£11500	Go to note 1
Total	£11500	
Less Car Benefit	£5000	Go to note 2
Less adjustment for estimated tax you owe (this year)	£2500	Go to note 3
Total tax-free amount	£4000	

Your total tax-free amount is used as follows	Tax code	For help
Mick's bike shop	£4000 of this income is tax-free 400L X	Go to note 4
This totals your tax-free amount	£4000	Go to note 5
Estimated tax you owe (this year)	£333.36	Go to note 3

Improving our tax system

By making automatic adjustments to your tax code, any changes in the tax you pay will be reflected in your income or taxable pay, as soon as your employer(s) and/or pension provider(s) starts to use your new code. More customers should therefore end the year having paid the right amount of tax.

¹³ Tested in in-depth interviews

These notes will help you understand how we have worked out your tax code(s)

Note 1	Personal Allowance	This is the standard amount of taxable income most people can have before they start paying Income Tax. If your total income exceeds £100000, your allowance goes down proportionally.
Note 2	Car Benefit	This is given to you (or your family) to use privately, including for journeys between home and work. You pay tax based on the value of the company car.
Note 3	Estimated tax you owe (this year)	<p>Due to an in year adjustment to your tax code(s) we think that you will owe HMRC £333.36. So that you pay the right tax for the year, we have included an adjustment to reduce your tax-free allowance by £2500 to collect the £333.36 tax in equal instalments from now on by increasing the tax deducted from your wage, salary or pension so that the £333.36 is paid by 5 April 2018.</p> <p>The easiest way to check or query this adjustment is by using your Personal Tax Account, go to gov.uk/personal-tax-account where you can view or change your information and contact us if you need additional support or if it will cause financial difficulty.</p>
Note 4	Tax code L	Shows you are entitled to the standard tax-free Personal Allowance.
	Tax Code ending in X	Shows we will review the tax you have paid after 5 April.
Note 5	Tax-free amount	<p>To create your tax code, we've removed the last digit of your tax-free amount and included a letter. If you have more than one source of income, your tax-free amount may be split across these. We tell your employer(s) or pension provider(s) your tax code but we do not tell them how we worked it out.</p> <p>If your total income and taxable state benefits for the year are more than your tax-free amount then you will pay tax as follows:</p> <ul style="list-style-type: none">• at 20% on the first £33500• at 40% on income between £33501 and £150000• at 45% on anything over £150000

Please keep this tax code notice

You may need it if we send you a P800 Tax Calculation or if you have to complete a Self-Assessment tax return. If you use an agent or a representative to help with your tax affairs, please share this letter with them.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.gov.uk/hmrc/your-charter

Most people don't need to respond to this letter. If you do need to contact us

Online

To tell us your current tax-code is wrong	www.gov.uk/personal-tax-account
To update your name or your address	www.gov.uk/tell-hmrc-change-of-details
Welsh language	www.gov.uk/government/organisations/hm-revenue-customs/contact/welsh-language-helplines

By telephone

Calling from within the UK	0300 200 3300
Welsh language	0300 200 1900

If you have additional needs

We have a range of services for disabled people. These include guidance in Braille, audio and large print. Most of our forms are also available in large print. Please contact our helplines for more information.

Text relay service	18001 and then 0300 200 3300
Textphone	0300 200 3319

Appendix J – Communications tested – Revised customer information letter

Jayne Perkins
88 Testing Rd
Testtown
TESTSHIRE
PO57 C0D3

24 January 2017

Dear Ms Jayne Perkins

Changes to the way we collect your tax

We are making some changes to the Pay As You Earn (PAYE) tax system. From May 2017, we'll update most of our customers' tax codes as soon as we hear about a change affecting their tax from their employers or pension providers.

Until now, we've usually waited until the end of each tax year before calculating any tax that people are owed or need to pay back. These changes will make sure most people pay the right amount of tax at the right time, and won't face unexpected tax bills at the end of the year.

What this change means for you

You don't need to do anything now and this letter is only for information. I am writing to let you know about these changes because you have had regular changes to your tax code and underpaid tax in the past.

If you're already paying back tax from previous years, and your income changes again in 2017/18, it's possible we will need to collect tax from different years at the same time. This could mean you have more tax taken from your earnings than normal, to make sure you have paid the correct amount of tax by the end of the tax year.

What happens next

We will contact you if we need to alter the amount of tax you will pay this year. We will do this in the normal way, through a tax code notice which we'll send to you in the post, or online, from June. This will explain the amount of tax you owe, where to go to learn more about your tax code and what support is available to you – for example, if you need to spread the payments over a longer period.

If you use an agent or a representative to help with your tax affairs, please send them a copy of this letter.

Yours sincerely

Ruth Owen
Director General, HMRC Customer Services