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Research report 541

Annual Tax Summary

Qualitative research to understand recall,
engagement and use of the Annual Tax Summary.

March 2019

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Contents

1. Executive Summary.....	4
2. Introduction.....	5
1.1 Background & Context.....	5
1.2 Research Objectives.....	5
1.3 Methodology	6
3. Findings.....	6
3.1 Awareness and Attitude towards the ATS.....	6
3.2 Views on different versions of the ATS	8
3.3 Delivering the ATS.....	12
4. Conclusions.....	14

1. Executive Summary

The Annual Tax Summary (ATS) aims to make the tax system more transparent by helping customers to see how much income tax and National Insurance contributions they paid in the last year and how this was used on different areas of government spending. It shows how their income tax and National Insurance has been calculated, their tax rates and how this has contributed to UK spending. This research was conducted with Pay As You Earn (PAYE) customers, who receive their ATS via post, and Self Assessment (SA) customers¹, who access their ATS online via their Personal Tax Account (PTA)². It explored responses to the ATS, specifically examining attitudes, awareness, preferred delivery methods and their preference for future design.

Customers felt that the ATS was an important piece of information to receive. They found it interesting, believed it improved transparency and felt they had a right to know this kind of information. However, the feelings were not strong enough to warrant voluntary engagement, with SA customers less likely to engage due to the lack of a direct delivery method. Those who recalled receiving the ATS had greater knowledge of how their tax was being spent, but knowledge on how tax was calculated and how much they had paid was not impacted by the ATS.

Of those who recalled receiving the ATS, customers at least knew the ATS vaguely related to tax, but there was a sense it merged with other HMRC communications. The spending wheel resonated most, with highly engaged customers also taking note of the figures relating to their tax. The ATS was seldom used again after receipt, and was often filed or recycled. Those who further engaged used it to cross-check that the amount of tax they had paid was correct, or to further educate themselves on tax related matters.

The paper and online versions of the ATS were well received. Customers felt the level of detail and the format was appropriate and they were both clear and easy to understand. Of the two, paper was preferred, as it was more succinct and visually engaging, but both could have better signposting to the section on government spend. The calculator and animation were both regarded as less appropriate for receiving information about tax.

¹ PAYE customers are employees paying income tax and National Insurance Contributions (NICs) via PAYE. SA customers are self-employed who file a self assessment return to declare their income and expenses to HMRC once a year.

² The Personal Tax Account (PTA) is an online service administered by HMRC that allows people to view information and make transactions relating to their tax and national insurance contributions, and any child benefit or tax credits they receive, in one place. The Self Assessment return can be accessed and completed through this account.

Despite environmental and cost related concerns, customers tended to prefer the postal method over the online method. This was because it was a direct method of delivery, so customers were prompted to engage. Therefore, in order to encourage online engagement customers should be alerted to the ATS directly, and be made aware of its benefits and the benefits of the PTA as a whole.

2. Introduction

2.1 Background & Context

The Annual Tax Summary (ATS) was announced in the 2012 Budget and introduced for the first time in 2014 showing details for the 2013-14 tax year. It has the aim of making the tax system more transparent and helping customers to see how their income tax has been calculated and how this has been spent. It shows taxpayers how their tax and National Insurance contributions has been calculated, their tax rates and how this has contributed to UK spending. Currently, Pay As You Earn (PAYE) customers receive their ATS in the post. Self Assessment (SA) customers can access it through their PTA, although, only a small proportion access it each year

2.2 Research Objectives

Research was needed to understand the extent to which the ATS is currently meeting its stated goals and what customers think is the most effective way of communicating how their tax money has been spent. The objectives for this research were to gain an in-depth understanding amongst SA and PAYE customers of:

Views on and use of the current ATS:

- How useful they find the ATS
- How customers use the information provided in the ATS
- What customers do with their ATS after receiving it
- What difference receiving an ATS has on customers and what impact they believe not receiving one would have
- What impact customers feel the ATS has on the transparency of the tax system
- Motivations and barriers to accessing the ATS through the PTA for SA customers

Developing the ATS

- How customers believe the ATS could be improved
- Customers' preferred mode for receiving the ATS – online or through the post
- What customers think about the alternatives to the paper ATS – digital, animated or calculator

- The level of detail which customers would find helpful for the ATS to show and the effect this could have on engagement with the ATS

2.3 Methodology

A total of seven in-depth focus groups and 12 face-to-face interviews were carried out with PAYE and SA customers by members of the Ipsos MORI research team between 6th and 20th November 2018. Focus groups lasted for 90 minutes and face-to-face interviews ran for one hour. A purposive sampling method was adopted, whereby key criteria were set and participants were recruited according to these using a screener, with all participants being recruited by specialist recruiters.

The quotas for both SA and PAYE customers were as follows:

Customer Group	Engagement with ATS	Depth interviews	Focus Groups
SA	Accessed online	3	/
	Did not access online	3	/
	Mix of those who had / not accessed the ATS	/	4
PAYE	Received via paper	3	/
	Did not recall receiving via paper	3	/
	Mix of those who had / not accessed the ATS	/	3

Secondary quotas were also set on: age, gender, and socio-economic grade and were conducted across three different areas; Birmingham, London and Manchester.

3. Findings

This report presents qualitative findings of PAYE and Self Assessment (SA) customer views on the Annual Tax Summary (ATS) including awareness and attitudes towards the current ATS, thoughts and feelings towards current and future methods of communicating this information, and preferences for future delivery methods.

3.1 Views of and use of the current ATS

This section explores customer thoughts on the ATS and how they used it.

3.1.1 Recall and use of to the ATS

This research found that recall of the ATS was stronger amongst PAYE participants who received the ATS in the post than SA participants who accessed it through their PTA.

SA participants were unlikely to view their ATS through their PTA due to how they used their PTA. They viewed their PTA in a transactional way, only logging in when they had to, for

example to submit their tax return. SA claimants who used their PTA infrequently found it challenging to log in, due to what they saw as being the long and complex usernames and passwords required. This acted as a barrier to engagement with the PTA and therefore the ATS. Higher engagement with the PTA was seen amongst Tax Credits customers as they used it to manage their claim. The lowest engagement was seen amongst customers who used an accountant to manage and submit their tax return.

"I can't say I ever used anything like that - everything just goes to my accountant" SA, 35-54, ABC1

This experience contrasted to that of PAYE participants, who received the ATS in the post and had strong recall, particularly of the spending wheel (discussed further in section 3.2.1). After receiving the ATS customers remembered looking at it briefly then filing it with other correspondence from HMRC or recycling it. Those who engaged further with the ATS used it to cross-check the information with other communications received from HMRC to ensure that they had paid the correct amount of tax, or to educate themselves on issues relating to tax.

"You can get an idea on what it's being used for, which is a bit of an eye opener, made me think about the bigger picture... Being someone who was new to it, I think all of it was pretty useful." SA, 18-34, ABC1

When shown the ATS, customer responses were divided. The information about income and how tax is calculated felt repetitive to customers who already knew this information, either because they engaged with their P60 or were SA customers. They didn't see the benefits of receiving it again.

"I got one in the post, just an A4 sheet, to be honest, I thought it would come with a booklet. I thought it was a P45, but just saw it was a tax thing, so I stuck it in the drawer. It was just a repeat of the P60." PAYE, 18-34, C2DE

In contrast, the information about how an individual's tax contributes to government spending was seen as important. It helped participants feel that the government was being transparent and after looking at the ATS participants felt strongly that government should produce and share a breakdown of public spending. However, participants who had stronger feelings about it and disagreed with government spending priorities did not feel this way. They disagreed with, but could not influence, what was on the document and therefore it held lower appeal for them.

"It's just knowledge, it makes us aware. It starts answering questions as to where money's going" SA, 35-54, C2DE

“Overall, I don't have any choice in how my tax is spent and no influence so no effect.” PAYE, 18-34, C2DE

However, as demonstrated by the low inclination of SA customers to engage with their ATS, customers did not feel strongly enough to voluntarily engage with the ATS.

Recall of the ATS seemed to have little impact on understanding of how much tax had been paid and how it was calculated, amongst both PAYE and SA customers. Rather, this understanding seemed to depend on engagement with the tax process more widely. SA customers had detailed knowledge of how tax is calculated and how much tax they had paid through completing their tax return, or reviewing the submission from their accountant. PAYE customers, particularly those who engaged with their P60, were likely to know how much tax they had paid but were less likely to have detailed knowledge of tax bands. This was particularly the case for basic rate taxpayers.

3.2 ATS design

This section explores customers' thoughts and feelings towards four different approaches towards showing the ATS. Participants were shown examples of the current versions of the ATS (paper and digital), and were shown descriptions of two potential future methods, a calculator and an animation.

3.2.1 Paper Version

Overall, participants felt the paper ATS was easy to engage with and understand. The colourful design of the spending wheel helped it to be easily remembered.

Design of the paper ATS

Participants felt that the format of the paper ATS, spread across two pages, was appropriate as it gave them enough detail whilst not being overwhelming.

It was felt that the introduction in the paper version could make it clearer that no immediate action is required from customers. Otherwise, participants felt that if they might initially worry that they had done something wrong or owed tax. Contributing to this, participants were not always clear what the purpose of the document was. Stating immediately that the letter is for information only and to contribute to government transparency may help to alleviate these concerns.

The information which stood out and which participants tended to read first was on how much tax had been paid and how this had been calculated. However, as previously mentioned, there was a feeling that this information duplicated other HMRC communications, such as the P60, which meant participants did not immediately see how or why the ATS would be interesting or useful to them.

Customers liked that the front page gave both headline figures (right-hand side), and a detailed breakdown of tax paid and how it was calculated (left-hand side). They felt that this made the information accessible to a wide audience as they could glance at the overview or study the detailed figures. The overview figures on the right were easier for those with less confidence in understanding tax or less numerically confident to engage with.

“There’s a good level of detail, I know exactly what is going on... there’s something for everyone here.” SA, 18-34, ABC1

The line *“29p of tax paid per £1”* also stood out. They felt that this was a clear and relatable way of conveying information about the proportion of their earnings paid in tax.

“I really like this bit on your taxable income, it’s big, bold and the figures are easy to understand.” PAYE, 55+, C2DE

The page layout meant customers were drawn to reading the more detailed left-hand side first and so could be overwhelmed by the level of detail. It was suggested that giving the overview figures on the left, which customers would read first, and the detailed figures on the right may improve immediate engagement and ease of understanding.

“At first I wasn’t keen, but it gets easier as you go. What about swapping [the left and right] around?” PAYE, 35-54, C2DE

On the second page, the spending wheel stood out most. This was also the strongest association customers had when asked about the ATS, including amongst SA customers who had previously received a paper ATS. The colourful design was engaging. However, the signpost to the website could be missed, perhaps as customers were drawn to the spending wheel. Moving this signpost to below the spending wheel could help customers pick up on it.

“Your eyes are drawn to that [Spending Wheel] - you look at that and you know how much is being spent without needing to know the exact amount.” SA, 35-54, ABC1

Whilst the spending wheel was seen as giving good visual information on the broad proportions of government spending, participants also expressed a preference for the percentages to be given alongside the figures to make this clearer.

Participants felt that the breakdown of how the government had spent their tax was easy to read through with clearly separated categories. However, they found it hard to envisage what was included in each as the categories were quite broad and so there was a preference for the categories to be broken down further by giving examples of what is included in each.

However, participants also recognised there was a balance to be struck between the level of detail and the amount of space available.

3.2.2 Online Version

The simple format of the online ATS was seen as being easy to understand. However, customers felt it could be more succinct and visually engaging.

Design of the digital ATS

The design, layout and language of the digital ATS which is currently sent to SA customers did not distinguish it from other GOV.UK webpages or the tax return process, leading to limited recall. When prompted with an example digital ATS, SA customers who had previously recalled accessing the ATS stated that this was not what they were thinking of as they had been thinking of the paper ATS. The look and feel of the digital ATS reminded customers of their tax return.

When shown the digital ATS, customers felt it had the right level of detail and the simple design meant it was seen as being more straightforward to engage with than the paper version.

Customers appreciated that every section was clearly titled and the descriptions given meant customers could engage with the content without feeling overwhelmed.

"I think we'd all know, roughly, how much taxes we were going to pay, when presented like that." SA, 35-54, C2DE

Whilst this may be research effect, as the digital ATS was shown printed out rather than in the PTA, participants felt that the online version would take a long time to scroll through. This could act as a barrier to engagement, so signalling the information on government spending earlier could help to motivate customers to keep reading. Participants also felt that the separation of sections made it more difficult to link the different pieces of information as they would have to refer to different screens. Overall, the online version could also be made more succinct to help customers engage.

There was a mixed reaction to the section on government spend. The use of percentages was well received, as it helped ease of understanding whilst not cramping the display as there was more space for this on the digital version. However, customers were split as to whether they preferred the bar chart or spending wheel, as in the paper version. The bar chart display was seen as being simple which helped ease of understanding. However, there

was also a preference for it to be more colourful. In addition to this, the more colourful spending wheel had much stronger engagement and recall.

As with the paper version, customers felt that the categories of spend could be better defined, either by breaking them into sub-categories, providing definitions or using tangible examples.

"I love it, because it gives the same information as paper, but line by line. I like the bar chart and the percentages, it's easy to understand" PAYE, 18-34, C2DE

"I prefer the pie chart, this looks a bit dated, I'm not really drawn to it." SA, 35-54, ABC1

Younger customers felt that displaying the ATS digitally potentially meant it could be tailored to their personal preference, for example allowing customers to see the personalised breakdown of government spending in either a bar chart or spending wheel, depending on their preference. Another idea was the ability to click on the data to get more detailed information, for example, on the spending categories.

"I'd like to be able to go online and tailor the ATS to a way that I want... I'd like to keep it simple and just keep the taxable income" PAYE, 18-34, C2DE

3.2.3 Calculator and Animation

Calculator

Overall, the calculator was not the preferred method for viewing the ATS. Customers tended to feel it was less appropriate as it required them to input the information on their tax calculation themselves, which they were unwilling to do. Customers had low motivation to seek out the information voluntarily and so it would be even more challenging to encourage customers to view their ATS using this method.

In addition to the effort required to generate the ATS statement, customers would also have to have their tax calculation to hand. Whilst SA customers felt they were likely to know this information, PAYE customers felt they would have to look for it, adding an extra step to being able to generate an ATS.

"The onus is on you to put the information in, far too much hard work, I don't have the time to do that." PAYE, 18-34, C2DE

However, SA customers liked that there would be no need to log into their PTA to use the calculator, which would make it more accessible. Customers also saw they could use the calculator for additional purposes, such as predicting future tax calculations in the event of a job change or promotion.

Animation

The animation was also less popular; customers tended to feel that it was not appropriate for conveying information about tax.

Further to this, there was a sense that an animation could take too much time to view, which could act as a barrier to engagement as participants felt they were unlikely to watch an animation which lasted a number of minutes.

“Tax is serious - this devalues it a bit. Tax is money that you have to pay out and people can get tied up in knots, so it's probably a bit too simple.” SA, 18-34, ABC1

3.3 Delivering the ATS

This section explores the benefits and drawbacks of postal and online delivery methods, which was preferred overall, and how customers can be encouraged to engage with an online ATS in the future.

3.3.1 Postal delivery of the ATS

Overall, postal delivery was preferred by customers, as it was felt this would be most likely to lead to engagement with the ATS as the letter would come directly to them. Customers were unlikely to ignore a letter from HMRC, and it represented an official and formal method of communication.

“When it comes through the post-box with a HMRC envelope, you know it's important so you'll open it... it's the best way to get people to look at it.” PAYE, 35-54, C2DE

However, participants recognised the negative environmental impact of paper and printing. They also highlighted that the costs of printing and posting the ATS would be higher than distributing it digitally.

“Because of the carbon footprint that it [postal delivery] would leave, I can't see why anyone would want it posted to them.” SA, 35-54, C2DE

A less prominent concern related to security, as participants felt that post with sensitive information was sometimes lost, or delivered to the wrong address. Additionally, those who had a shared post-box, for example living in a flat or in shared house, felt their information could be vulnerable to being opened by other people.

“A lot of people live in shared houses here in London, someone else can open it.” PAYE, 18-34, ABC1

3.3.2 Digital delivery of the ATS

Whilst there is a preference for a postal delivery, a digital version was seen as appropriate by both SA and PAYE customers as it mirrors how they engage with other financial matters, for example online banking. There was also a recognition that most communication of information and other services are moving online and feel it would be clear why the ATS may eventually follow this trend. Besides this, they also recognise the environmental and cost benefits of a digital delivery of the ATS.

"It's just how everything is done nowadays really. I do my banking online, pay my bills, so it makes sense that anything to do with my tax would go that way." SA, 35-54, ABC1

Customers felt that delivering the ATS via their PTA was the most secure method, as they need to login to view it. Customers already using the PTA felt that it acted as a "one-stop shop" for their tax affairs.

"I think if you could have all your tax things in one place and under one roof, like this [ATS] and information on my rebates, then you wouldn't have to go searching online everywhere. It would just be there whenever you need to find out something about your tax." PAYE, 35-54, ABC1

Customers also noted that by receiving their ATS online, it would allow them to easily compare summaries from previous years to look at changes.

A digital ATS would also mitigate the risk of delivery to a wrong address. Customers who lived in rented accommodation were particularly likely to feel that they would benefit from this, as they were more likely to change address frequently but their PTA details remained consistent.

"We're a transient society now...but you tend to keep the same email much more now as it's often linked to other important things, like work. If HMRC had my email 10 years ago, it's the same now, whereas I've moved house three times since then." SA, 35-54, ABC1

However, a key drawback of a digital ATS was the low motivation to proactively go online to view their ATS. This was highlighted by the low awareness amongst SA customers and an admission from PAYE customers that they would be reluctant to seek it out.

"I'd like to say I'd go online and check, but really if I'm honest, I don't think I would." PAYE, 55+, C2DE

As noted above, participants who only logged in to their PTA once or twice a year to complete their Self Assessment found remembering their login details challenging, which acted as a

barrier to use. In addition, their infrequent use of the PTA meant they did not feel capable of navigating the PTA for tasks besides their tax return.

"I always forget my number and login details every year, and it drives me absolutely mental." SA, 35-54, ABC1

Participants with low levels of confidence with technology were particularly likely to express concerns about accessing an online ATS.

Overall, whilst participants recognised they currently had low motivation to access their ATS online they felt there were some ways in which they could be encouraged to do so:

- Making the ATS available close to the time when tax returns are submitted, as this is when SA customers are thinking about tax and would be most motivated to log in.
- Clearly signposting the ATS when users log in to their PTA.
- Alerts, such as an email or text message to let customers know their ATS is ready and why it would be beneficial to read it.

"What about an email to remind you that it [ATS] is there, with some information on rebates on there... also highlighting the chance to check that the information on there is correct." PAYE, 35-54, ABC1

Finally, an information campaign demonstrating the purpose and benefits of the ATS may encourage engagement.

"I think if I were to see a billboard with a sign saying my ATS was ready in January, or whenever, it would remind me to look...but also telling you what it is and why it's important." PAYE, 35-54, C2DE

4. Conclusions

Views and use of the current ATS:

- Overall, the ATS was seen as a useful document. Customers found it interesting and it made them feel government is being more transparent. However, these feelings were not strong enough to warrant voluntary engagement with the ATS or motivation to look into it at greater detail
- When PAYE customers received their ATS they read it and then filed it away or recycled it. Customers who engaged further with the ATS used it to cross-check that the amount of tax they had paid was correct, or to further educate themselves on tax related matters.
- SA customers were unlikely to recall their ATS. The PTA was used solely as a method for filing tax returns and perceived as difficult to use.

Views on different versions of the ATS

- The paper and online ATS were both well received. Customers felt the level of detail and the format was appropriate and allowed for easy engagement. On the whole they were both clear and easy to understand, with only minor tweaks to the design suggested as improvements.
- Of the two, paper was preferred, as it was more succinct and visually engaging than the online version. More immediate signposting towards the government spend section would make the purpose of the ATS clear and maintain engagement, as this was seen as being the most interesting piece of information.
- The calculator was seen as an inappropriate method for displaying the ATS as it required the customer to do a lot of work to access the information. The animation was also not seen as appropriate as it did not reflect the gravitas with which customers expected tax to be treated.

Delivering the ATS

- Customers preferred to receive the ATS through the post, despite concerns about the environment, cost and potentially security. This was because it prompted customers to engage with it, rather than them having to take action.
- To encourage online engagement customers need to be alerted to the ATS, and awareness needs to be raised of its benefits in making tax and government spending more transparent.