

*Research report*

# RTI 'February Call to Action' Letter testing

Customer testing of RTI letter and insert

**Opinion Leader**

**February 2013**

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**RTI letters- Customer Testing*****About Personal Tax Customer & Strategy (PT C&S)***

Personal Tax Customer & Strategy works with colleagues in Personal Tax and across HMRC to help develop our approach to implementing the customer centric business strategy. We use customer insight to help PT design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- ensure that those who need help get the support they need, when they need it

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

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**RTI letters- Customer Testing*****Research requirement (background to the project)***

From April 2013 HMRC will introduce a new way of reporting PAYE: Real Time Information. The structure of PAYE will remain unchanged, but it will change the way and frequency that companies send PAYE details to HMRC.

Companies will need to send details of payments to HMRC as they happen (each time a payment is made) rather than at the end of the year as previously.

There are a number of requirements that companies need to fulfil before they can start reporting PAYE in real time, and these will be communicated to those concerned via a letter and accompanying insert.

Production and distribution of letters to employers involves significant resource and cost. It's essential that HMRC:

- gets the most value for money from their communications; and
- makes the most of the opportunity to ensure that customers are aware of RTI, able to make the necessary preparations, and require minimal further contact

In October 2012 HMRC sent out the first RTI letter (the "October Awareness Letter") which was designed to raise awareness of RTI in the employer population.

In this research HMRC wanted to conduct testing of three versions of the "February Call to Action Letter" with employers. The February letter is designed to be a final call to action to ensure employers know what they need to do to comply with RTI, are aware of the deadline and will take action if they have not already done so.

The three versions of the letter were aimed at three groups of employers who have been segmented based on their previous PAYE payment behaviour. The three segments are:

- Segment 1 - Always pays HMRC on time and in full
- Segment 2 - Most payments are on time and have had few outstanding payments
- Segment 3 – Often miss payments which can take a long time to get to HMRC

For the research a generic letter was tested alongside the paragraphs that differentiated the three versions of the letter. Opinion Leader was commissioned to evaluate this generic letter and the tailored paragraphs and asked to inform ideal versions for each target group:-

The focus of this research project was on evaluating the letters to understand issues including:

- clarity

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- tone of voice
- levels of understanding
- action taken as a result of receiving the letter and the variants
- likelihood of contacting HMRC
- suggestions for improving the letter and the variants

### *When the research took place*

Twenty-four depth interviews were conducted on the 21<sup>st</sup> and 22<sup>nd</sup> November in London, Manchester and Birmingham.

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

Opinion Leader, a research agency based in central London, conducted the research.

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

A total of 24 depth interviews with business customers which represent the HMRC business customer base in terms of size, industry, and type of payroll software used were conducted, each lasting 45 minutes

### *Main Findings*

#### ***Response to the RTI February Call to Action letter***

Overall the letter was perceived as being clear, informative and straightforward.

#### ***What did they take from the letter?***

Participants understood the main messages in the letter i.e. what RTI is and how it will work; that they needed to ensure that their payroll software is RTI compatible; review employee data to ensure it is correct and the dates at which RTI comes into effect. Nothing was spontaneously mentioned as missing from the letter in terms of content

#### ***How did the letter make them feel about RTI?***

Participants were generally positive about RTI and perceived benefits in terms of:

- reduced time to administer the payments to HMRC overall as they would need to keep their records up-to-date
- being more efficient because they felt they needed to keep their records up-to-date
- spreading the PAYE payments over a longer period of time
- helping to avoid building up debt

Some of these benefits the participants themselves had determined through their understanding of RTI rather than because the benefits were explicitly mentioned in the letter.

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Those who had a poorer payment history felt that the new system would force them to be more organised and make it easier for them to pay HMRC on time, however they did not feel that the current letter emphasised these benefits.

### ***What actions would they take as a result of the letter?***

The actions that participants claimed they would take tended to differentiate depending on how they managed their payroll currently rather than segment.

- *running the payroll themselves* - these participants would be more likely to find out more detailed information about RTI via the website.
- *used a payroll bureau or had management responsibility for the payroll function* - typically would contact those responsible for running the payroll to ensure that they were aware of the changes relating to RTI and had or were taking appropriate action.
- *employed an accountant or book keeper* - tended to say that they would pass on the letter to them to make sure that they were aware of RTI.

Participants who were more involved in running the payroll would refer to the website for additional information about RTI, however, some felt that the signposting of the website in the letter could be clearer.

Other participants felt that the letter did not have a strong enough call to action and felt that the 'act now' message had been over-used in general communications that people receive. The phrase 'are you ready for Real Time Information – don't put it off, act now' was suggested by one participant.

There was also a feeling that the letter did not provide sufficient detail on exactly how RTI would change the way that they report and make payments to HMRC. Others were unclear about sending details to HMRC 'at the time you pay them' and whether for them that meant each month or each week.

### ***Contacting HMRC***

As a result of receiving the letter, respondents identified the website as typically the first port of call for additional information about RTI. Participants hoped that the website would include FAQ's and flow charts which explained what employers needed to do. One participant had visited the website to find out additional information and sign up for RTI updates.

While some participants felt that the website would be the only source of information they would need to access about RTI others wanted to be offered a phone number (preferably free or low call) to contact HMRC after receiving the letter or if their query was not answered by the information on the website. In both cases these participants wanted a contact phone number to be referenced in the letter.

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### **Information about consequences of not complying with RTI**

Participants typically felt that there was little information about the consequences of not complying with RTI, although it was commonly assumed that there would be penalties for non-compliance. Participants felt that the letter should refer to there being penalties as both a way of encouraging cooperation and to ensure that recipients of the letter were informed about the potential consequences of missing payments.

### **Information flow**

While participants understood and recognised the information that HMRC wanted to communicate it was felt by some that the information in the letter could be more clearly differentiated by:

- beginning the letter by explaining what RTI is,
- what the changes are,
- the benefits to business,
- what they need to do and;
- the consequences of not complying

### **How did participants feel about the tone of the letter?**

Participants typically felt that the tone of voice of the letter was appropriate describing it as informative and neutral in tone. Participants felt that it would have been inappropriate for the letter to be more forceful.

### **Terminology that was not clear to all**

Participants did not think that making payments late to HMRC was the same as incurring a debt as suggested by the letter. Using the term 'missing payments or making payments late' may help to avoid any ambiguity.

### **Response to the segmented paragraphs**

There was a mixed response to the segmented paragraphs which could be sent to businesses depending on their payment history.

#### *Segment 1 – pay on time*

Those who had always paid on time appreciated their good record being referred to and felt as if HMRC had its records up-to-date, and typically said that their 'good' behaviour would continue.

#### *Segment 2 – Some missed/late payments*

Some of those who had missed 1-2 payments in the past appreciated that HMRC had got their records up-to date and felt that the message about making it easier to pay the right amount each month was encouraging. Others felt that this message could be in the generic letter. Some felt that the information referring to previous behaviour was too old (in excess of 1 year) and did not reflect their current behaviour.

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**RTI letters- Customer Testing***Segment 3 – poor payment history*

For those with a poor payment history the message was accepted and some felt that the information about helping them to comply with HMRC timescales encouraged them to be more compliant. However, others felt that the wording was a bit negative and preferred more empowering messages as in segment 2 i.e. RTI will tell you how much to pay each month and continue to pay the right amount each time.

*All segments*

Participants were shown all of the segmented paragraphs to understand how they might react if they were sent a letter that they felt did not accurately reflect their past PAYE payment behaviour. Some of those who saw a letter which referred to a poorer history than their own said that they would contact HMRC to complain about receiving the letter in error. Those who received a letter referring to a better history either wouldn't realise they had received the wrong letter or if they knew it was wrong wouldn't take any action and their behaviour would be unlikely to change in any way.

**Response to the insert**

All of the participants said that they would look at this and use it to determine what they needed to do to comply with RTI. Participants would also use it to physically tick off the elements which applied to them. Some said that they would stick it up in the office. Others would send it on to their agent to make sure that they were aware of the actions required of them.

*In responding to the insert participants had the following positives*

- appreciated the division between what they needed to do before the 6th April and what they needed to do after the 6th April.

*Suggested the following improvements:*

- thought that the information contained in the boxes is too text heavy.
- signposting participants to specific actions depending on whether they used an agent or whether they ran the payroll in house.
- mentioned that the insert does not explain what RTI is and would have liked to have this explained. This was felt to be particularly important if the insert is used without reference to the letter i.e. if it is stuck on a notice board etc.
- typically assumed that the information they would need to send to HMRC after the 6th April was the same as they were currently collecting and therefore may not collect/submit the new information unless they are prompted to do so.

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- wanted to have a helpline number in addition to the website that they could use to get additional information.

*Suggested they would take the following actions:*

- would sign up for email alerts, with those who were more involved in the payroll being more likely to do this than those who had a more supervisory responsibility.
- some would read both sides of the insert whereas others would read the side referring to before the 6th April now and leave reading the other side until nearer the 6th April.