

**Qualitative research into the use and
communication of PAYE Real Time Information
(RTI) and auto-renewal in the tax credits system.**

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Disclaimer

“The views in this report are the authors’ own and do not necessarily reflect those of HM Revenue & Customs.”

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Glossary

CTC	Child Tax Credit
PAYE	Pay As You Earn
RTI	Real Time Information
WTC	Working Tax Credit

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Key findings

Employers started reporting in real time to HM Revenue and Customs (HMRC) in April 2013. This means that employers send details to HMRC every time they pay an employee, at the time they pay them and that HMRC holds up-to-date details of Pay As You Earn (PAYE) income for all employees and pensioners. From April 2014, as a result of Real Time Information (RTI), tax credits customers, whose only source of income comes from a PAYE source, will need to check the accuracy of their award only. They will not need to report their income details at renewal as they are currently required to do each year. Those with any non-PAYE income source will need to continue to report this.

HMRC commissioned Ipsos MORI to conduct 32 in-depth interviews with tax credits customers to measure customer understanding of the updated renewal forms and to gain feedback on their wording and layout; in doing so, the aim was to identify the optimum flyer design, detailing the changes to the process and what customers are required to do, in a way they can understand. In addition, participants' awareness of and opinions on the use of RTI were explored as well as whether they thought it might change their claim management behaviours in the future.

- The introduction of RTI was welcomed; participants felt that checking the accuracy of income figures was easier than having to provide them.
- Participants who received all their income from PAYE sources felt the introduction of RTI was significant. These participants were generally happy to check their income figure rather than provide it themselves; a move to an auto-renewals system was appealing for most.
- However, some of these participants expressed a need for reassurance about their claim which they said may lead them to call the helpline, at least for the first year.
- Participants who received part or all of their income from non-PAYE sources did not feel the introduction of RTI would have a significant impact on their claim management behaviour. This was because they would need to continue providing non-PAYE income; they considered this to be the most onerous aspect of renewing their claim.
- Participants did not notice that the Annual Review or the Annual Declaration presented to them was different to the ones they have previously received; they relied on the flyers to understand that the process had changed. Neither of the two flyer designs tested was clearly favoured.
- Participants wanted communications about RTI to be clear and concise, clearly explaining the actions required of them.
- Participants believed the introduction of RTI within the tax credits system would have no impact on their propensity to report changes during award periods.

Executive Summary

Background

- (i) Tax credits, comprising of Child Tax Credit (CTC) and Working Tax Credit (WTC) are designed to be a flexible and responsive system of financial support for families, aiming to reduce child poverty and make work pay.
- (ii) Tax credits awards are provisional and need to be finalised and renewed at the beginning of each tax year. Currently, inaccurate or late reporting of changes in income results in a significant number of overpayments and underpayments.
- (iii) The introduction of Real Time Information (RTI) within the tax credits system will mean that the Pay As You Earn (PAYE) income details of tax credits customers will be reported by their employers or pension providers each time they are paid, providing HM Revenue & Customs (HMRC) with up-to-date information on individuals' PAYE income. This data will be used at the end of the tax year as part of the Annual Renewal process.
- (iv) This change is being introduced to make awards more accurate and to allow HMRC to automatically renew the claims of customers for whom they receive all income details through RTI.
- (v) This research tested tax credits customers' ability to identify and understand messages in the updated renewal letters and forms, notifying them of the rollout of RTI within the tax credits system. To do this, the research:
 - Tested two flyers designed to communicate the introduction of RTI to determine whether key messages are received and understood, and, whether customers respond accordingly and if not, what could be changed in order to prompt them;
 - Explored customers' awareness of the introduction of RTI within the system, their attitudes towards the change and any questions or concerns they may have; and
 - Sought to explore what, if any, impact RTI is likely to have on claim management behaviour.
- (vi) HMRC commissioned Ipsos MORI to conduct 32 face-to-face interviews with tax credits customers in February 2013 in London, Birmingham and Manchester. The interviews were divided between two research groups based on the income sources of the participants: the first group comprised customers who received all of their income from PAYE sources; the second group comprised customers with both PAYE and non-PAYE sources of income.

Awareness, understanding of, and attitudes towards the use of RTI within the tax credits system

- (vii) Existing awareness of RTI among both groups was very low. Understanding of how such a system might work depended upon participants' existing knowledge of the PAYE system. Those who had a good understanding of PAYE tended to feel that RTI was a sensible change to the system and some were surprised that it was not already used. Those who lacked knowledge of the PAYE system, however, tended to be more concerned about the idea of RTI as they believed it would mean their employers would be communicating with HMRC about their earnings for the first time.
- (viii) Participants did not feel that the introduction of RTI represented a significant change to the tax credits system. Self-employed participants felt that reporting PAYE income was easier compared to reporting non-PAYE income, which often cost them a great deal of time and money to do. As they would still be required to report non-PAYE income, they did not think that RTI would have much of an impact upon them.
- (ix) As it would mean that they would only need to check the accuracy of the income information held for them by HMRC, rather than report it, those who received all their income from PAYE sources tended to view the move to the auto-renewal system as the most significant aspect of the change. Most were pleased about this, particularly those who struggled with figures or forms as it would reduce the burden of having to check the correct income figure. Some were also pleased that they might not need to make a call to the helpline, which they reported could often be time consuming and costly.
- (x) Concerns raised by participants tended to focus on what the introduction of RTI would mean in terms of their employer's responsibilities. In particular, they questioned the impact this would have on their claim, especially in terms of accuracy and timeliness of reporting. They also queried the security of the RTI system.
- (xi) Some of those with varied incomes questioned whether their claims would be adjusted in response to changes in their income throughout the award period. This worried these participants as they relied on their tax credits payments as a stable income source.

Participants' understanding of key RTI communications

- (xii) Two flyers designed to communicate the introduction of RTI to customers were tested with participants, along with amended versions of the Annual Review forms, Annual Declaration (for reply-required customers) and the Guidance Notes. Those who received the reply-required pack did not tend to pay much, if any, attention to the Annual Declaration. The Guidance Notes were ignored consistently by all participants.
- (xiii) Participants tended to focus on the Annual Review form, but most did not notice that it was different to the version which they have received previously. This was also true in cases where an auto-renewal version had been provided to a current reply-required customer. Part-PAYE participants said they found the Annual

Review confusing because of the additional incomes mentioned in Step C and suggested that an explanation of these terms would be helpful so they could understand what applied to them and what they needed to do.

- (xiv) Reactions to the flyers were mixed. Not all participants read them fully and some did not notice them at all without prompting. Despite this, they generally felt that it was an effective way to communicate the introduction of RTI to the tax credits system. While neither of the two flyers was clearly favoured over the other, participants generally reported that they preferred: an informal tone; clear and concise messages; and an eye-catching layout through the use of coloured headings.
- (xv) Participants felt that providing clarity about any actions required of them was key to communicating the change. Participants felt that the flyers were vague in places, requiring the customer to make judgements about what applied to their circumstances and what they needed to do as a result. This was a particular problem for those who received Benefits in Kind or had received Statutory Maternity, Paternity or Adoption Pay. Participants consistently missed messages relating directly to these issues.

Implications for tax credits claim management

- (xvi) Participants generally understood that they would still need to report any changes of circumstance to HMRC during the award period and at renewals time. Where customers assumed that HMRC would act on details they received from employers, they said they would still call the helpline to report any changes in income as a precautionary measure against overpayments.
- (xvii) Perceived impact on renewals behaviour differed between research groups. PAYE-only participants were happy to check, rather than report, their income, especially those who struggled with figures, or were anxious about doing this correctly. Some participants said they would just assume that the details held by HMRC were correct, leading to a risk that they may not thoroughly check the accuracy of the details.
- (xviii) While participants were generally happy about the move to auto-renewals, some reported that they would be likely to continue to call the helpline, at least for the first year, to ensure that their claim was correct and would continue.
- (xix) Part-PAYE participants did not think the move to RTI would affect the way they manage their claim. For self-employed participants and those claiming Taxable Social Security Benefits this meant that they would be likely to fulfil their responsibilities as they understood what they needed to report and how to do so. However, those who received Benefits in Kind demonstrated low awareness, not only of what that term referred to but why HM Revenue & Customs would need to know about Benefits in Kind; not reporting these could lead to overpayments. Similarly, participants who had received Statutory Maternity, Paternity or Adoption Pay, were unaware that they could make deductions from their income which might lead them to receiving an underpayment.

1 INTRODUCTION AND BACKGROUND

CHAPTER SUMMARY

- (i) Tax credits are awarded provisionally until the end of the tax year when customers' claims are renewed. The renewals process has two purposes: the first is to ensure that the customer has received the correct amount in the previous tax year; the second is to create a new provisional award for the current tax year. Customers whose claims are automatically renewed do not have to contact HM Revenue & Customs (HMRC) at the end of the tax year unless their circumstances have changed. If no changes are reported, their award will be automatically renewed on the basis of both their income in the previous year and their current circumstances.
- (ii) A significant source of error and fraud within the system is the inaccurate reporting of income both during the award period and during claim renewal. The introduction of Real Time Information (RTI) within the tax credits system will mean that Pay As You Earn (PAYE) income details of tax credits customers will be reported by their employers or pension providers each time they are paid. This data will be used at the end of the tax year as part of the Annual Renewal process. It is hoped that this will not only make awards more accurate but will also allow HMRC to move customers for whom they receive all income details through RTI to the automatic renewals system.
- (iii) Ipsos MORI conducted 32 in-depth interviews with tax credits customers to measure customer understanding of the updated renewal forms and to gain feedback on their wording and layout; in doing so, the aim was to identify the optimum flyer design detailing the changes to the process and what customers are required to do, in a way they can understand. In addition, participants' awareness of and opinions on the use of RTI were explored as well as whether they thought it might change their claim management behaviours in future.
- (iv) The interviews were divided between two research groups based on the income sources of the participants. The first group comprised customers who received all of their income from PAYE sources and the second customers with both PAYE and non-PAYE sources of income.

1.1 INTRODUCTION

This report contains findings from qualitative research conducted with some tax credits customers. HMRC commissioned Ipsos MORI Social Research Institute to undertake the research. In this introductory section we set out:

- The context of the research;
- The research objectives;
- The methodology;

- The sampling and recruitment;
- The interviews and research materials; and,
- How the findings are presented.

1.2 RESEARCH CONTEXT AND BACKGROUND

1.2.1 TAX CREDITS

Tax credits, comprising of Child Tax Credit (CTC) and Working Tax Credit (WTC), provide a system of support to help families, tackle child poverty and make work pay. CTC provides income-related support for children and for 16-19 year olds in education or approved training. WTC provides in-work support for low income people, with or without children. It contains a childcare element in recognition of extra costs faced by working parents with childcare needs. Other elements include the disabled worker element¹ and a severe disability element for those with more severe forms of disability.

1.2.2 THE TAX CREDITS SYSTEM

Tax credits are designed to be flexible and responsive. The award is based on the circumstances of the household at the start of the tax year and the income from the previous tax year. The award is adjusted throughout the award period as customers report changes to their circumstances. A tax credits award is provisional until finalised at the end of the financial year. There are two forms of renewal in the tax credits system: reply-required renewal and automatic renewal. Each requires different actions from the customer in order to finalise an award.

Reply-required renewals

At the end of the tax year, customers in the reply-required system are sent an Annual Review form and an Annual Declaration form.

The Annual Review details the information which HMRC holds about the customer's circumstances, based on the information provided during the previous renewal and any changes which were reported by the customer during the award period.

The Annual Declaration asks customers to provide details of household income in the previous year and to inform HMRC of any changes in personal circumstances from those detailed in the Annual Review. Customers are required to make an Annual Declaration by 31st July to finalise their previous award and renew their claim for the next year. An Annual Declaration can be made in writing by completing and returning the Annual Declaration form or by calling the tax credits helpline.

Automatic renewals

Customers who have their claim renewed automatically are sent an Annual Review form but not an Annual Declaration form.

¹ The disabled worker element provides additional support for people who work at least 16 hours a week and have a disability which puts them at a disadvantage of getting a job.

Auto-renewal customers are asked to check that the details on the Annual Review form are correct and inform HMRC of any changes of circumstances that will have an impact on their award; such as a change in income. If the circumstances have not changed or are not anticipated to change in the forthcoming year, then no further action is required. The award will be automatically renewed on the basis of the customer's income in the previous year and an understanding of their circumstances at the start of the current tax year. Currently, customers who have their tax credits award renewed automatically are those who are not receiving tax credits payments because their award ceased in the previous year or their award has been tapered to zero as well as customers whose only other income derives from out-of-work benefits.

1.2.3 THE INTRODUCTION OF REAL TIME INFORMATION WITHIN THE TAX CREDITS SYSTEM

Under RTI, employers or pension providers are required to send information about an employee's or pensioner's tax and other deductions in the PAYE system to HMRC on or before the date that they are paid by their employer (or pension provider). This information will be collected online using RTI-enabled payroll software, or HMRC's basic PAYE tools. Reporting in real time removes the need for employers (and pension providers) to send HMRC the annual PAYE return using P35 and P14 forms, or P45/P46 forms when employees start or leave employment. This change is being introduced to improve the operation of PAYE for employers, HMRC, and employees. It will also support the introduction of Universal Credit.

Employers need to send HMRC their last tax and deductions submissions for the year by 19 April. This is sooner than the old PAYE end of year return deadline date. Therefore, using PAYE information reported in real time in the tax credits system will mean that this data is available to be used when the customer's claim is renewed each year.

Providing HMRC with up-to-date income information will help HMRC to get tax credits renewal claims right at the end of each tax year, ensuring customers receive the tax credits they are entitled to. This will support HMRC's work to reduce tax credits error and fraud.

It is anticipated that by October 2013, most employers and pension providers will be using RTI.

PAYE only claims

Under RTI, customers who receive all of their income from PAYE sources will no longer need to report their income at the end of the award period. Instead, HMRC will write to customers, detailing the income information they hold for that customer. The customer will then need to check that those details are correct and will only need to contact HMRC during the renewal period if the details on their Annual Review form are incorrect; otherwise, they will not need to contact HMRC to renew their claim.

Under RTI, HMRC will move these customers to the auto-renewal system. It is hoped that this will make claim management easier for them, and could reduce the work the Tax Credits Office and helpline need to do for these customers.

Part-PAYE claims

Under RTI, tax credits customers who receive part of their income from PAYE sources and part from other, non-PAYE sources will remain within the reply-required system. While these customers will need to check the PAYE income recorded within their Annual Review form, they will also need to contact HMRC to report other additional sources of income, which will either be added or deducted from the income figures provided by HMRC.

Non-PAYE sources of income include:

- Self-employment;
- Taxable Social Security Benefits²; and,
- Benefits in kind³.

All income from these sources must be added to the customer's income figures detailed in the Annual Review form.

In addition, customers with a PAYE source of income who received Statutory Maternity, Paternity or Adoption Pay are allowed to make a deduction of up to £100 for each week they were on Maternity, Paternity or Adoption leave and still receiving income from their employer which they should report to HMRC.

1.3 RESEARCH OBJECTIVES

The research tested tax credits customers' ability to identify and understand messages in the updated renewal letters and forms, notifying them of the rollout of RTI within the tax credits system. Two flyers designed to communicate the introduction of RTI to customers were also tested. The research sought to determine:

- Whether key messages are received and understood, and whether customers respond accordingly and if not, what could be changed in order to prompt them;
- Customers' awareness of the introduction of RTI within the system, their attitudes towards the change and any questions or concerns they may have; and
- What, if any, impact RTI is likely to have on claim management behaviour.

1.4 METHODOLOGY

On behalf of HMRC, Ipsos MORI conducted 32 face-to-face depth interviews with tax credits customers. These interviews were divided between two research groups: the first

² Taxable Social Security Benefits includes: Bereavement Allowance, contribution-based Employment and Support Allowance, Carer's Allowance, contribution-based Jobseeker's Allowance, Incapacity Benefit paid after the first 28 weeks of incapacity, Taxable Income Support

³ Benefits in kind includes: a company car, car fuel, mileage allowance payments over the tax free approved amount, running costs paid by the customer's employer, non-business related expenses paid by the customer's employer, goods and assets given to the customer by their employer, payments made by the customer's employer on their behalf and vouchers or credit tokens.

comprised of customers who receive all of their income from PAYE sources; the second comprised of customers who receive their income from both PAYE and non-PAYE sources.

A qualitative face-to-face approach was adopted to obtain thorough details of the participants' circumstances, experiences, and attitudes. This approach enabled interviewers to establish a rapport with participants and gain their trust, enabling them to explore sensitive issues, such as personal finance. This method also enabled the interviewer to test the example flyer designs and renewals forms with participants, drawing on both observational and questioning techniques to explore their level of understanding and engagement with them.

Interviews took place in February 2013 and were conducted for one hour in participants' homes, which helped put the participant at ease during the interview and which, in turn, encouraged them to speak more freely. This also provided context for the interviewer as they could observe current behaviour around relevant issues; for example, the participants' management of mail. Paired interviews were conducted with couples where possible as issues around reporting income claim renewal often affect both partners.

As is common practice in qualitative research, all participants received £30, or £50 for a paired interview, from Ipsos MORI as a gesture of appreciation.

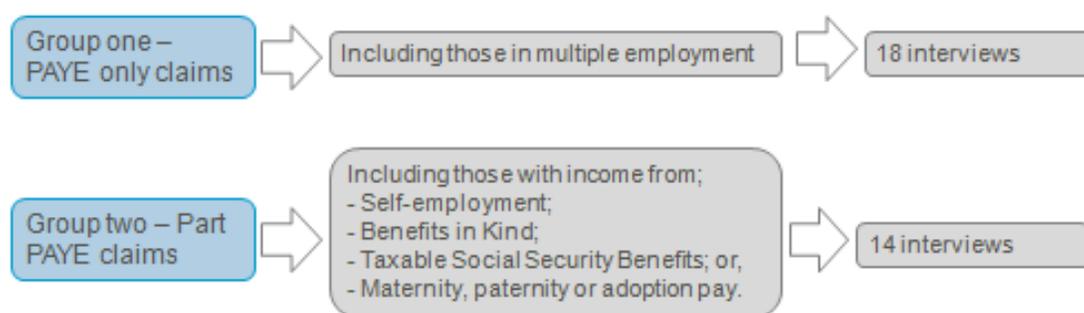
Analysis of the findings was conducted throughout the fieldwork period using coded analysis and regular sessions with the interview team.

1.5 SAMPLING AND RECRUITMENT

The sample was provided by HMRC from tax credits records. Participants were recruited by telephone following a mailed letter that introduced the research and allowed participants an opportunity to opt out of the work.

The research was conducted in three locations: Greater London, Birmingham and Manchester. Participants were recruited to one of two research groups based on their sources of income recorded during the renewal period of 2012 (Figure 1.1):

Figure 1.1 Research grouping structure



In addition to income sources, previous renewals behaviour, household composition, household income and the length of time participants had been claiming tax credits were also taken into account.

1.6 RESEARCH MATERIALS

When conducting the interviews, a semi-structured discussion guide was used to ensure all relevant topics and key issues were explored consistently, while also enabling the interviewer to delve deeper into any issues of particular importance for the respondent.

Different versions of the semi-structured discussion guides were used for the PAYE only and part-PAYE research groups to reflect the specific issues faced by that group. In addition, stimulus packs were used to test example communication material which consisted of:

- **Annual Review form:** this details a customer's income and circumstances for the year just finished and instructs them to report any changes;
- **Annual Declaration** (part-PAYE participants only): this asks customers to provide details of household income in the year just finished;
- **Guidance notes:** this provides guidance on completing the renewal; and,
- One of **two example flyers** detailing the change to customers.

The Annual Review forms tested in the interviews differed significantly from the versions that customers currently receive. The tested versions included a mock pre-populated income from RTI data rather than an estimate provided by the customer, but also considerable changes to Step C, which instructs customers on the actions they need to take. Changes to the Annual Declaration and Guidance Notes were minimal.

These communication materials were tested in two parts. The first test explored initial reactions to the communications by asking participants to look through the pack without receiving an explanation or any prompt from the interviewer. This allowed interviewers to observe which documents the participant focussed on and how much they read of each document. It also allowed them to establish whether or not participants identified and understood the changes to the renewals forms and the explanation included in the flyer without being briefed first by the interviewer.

The second test was more detailed and focussed on whether customers understood their claim management responsibilities from reading the flyer, and if not, how the communications could be improved so that they would understand them. This test followed an explanation of the changes by the interviewer and a discussion about the possible benefits and drawbacks of this with the participant.

Two flyers were tested, each explaining the introduction of RTI in a different way to enable comparisons between the two around content, length, tone and layout and to identify which, if either was preferred by customers. The formatting of the flyers was amended during the fieldwork period. Initially, the key messages for discussion on each flyer were highlighted. However, this was distracting participants from engaging fully with the content rather than the formatting; this highlighting was then removed after eleven interviews. All discussion guides and stimulus are included in the Appendices of this report.

1.7 INTERPRETATION OF DATA

The findings of this report are taken from a very small sample of tax credit customers. Qualitative research is illustrative, detailed and exploratory. It provides insight into the

perceptions, feelings and behaviours of people rather than quantifiable conclusions from a robust, statistically representative sample, and owing to the small sample size. Findings cannot be considered to be representative of the views of all tax credits customers.

The word 'participant' has been used throughout the report in reference to a tax credit customer who took part in the research. Therefore, the strength of feeling attributed to a group or type of tax credits customer is only true of those who participated in the research and not the tax credits population as a whole.

The evidence in this report is based on participants' perceptions and reactions during interview. Therefore, it is important to remember that although participants' perceptions may not be factually accurate, they represented the truth to those who related them.

2 AWARENESS, UNDERSTANDING OF, AND ATTITUDES TOWARDS THE USE OF RTI WITHIN THE TAX CREDITS SYSTEM

CHAPTER SUMMARY

- (i) Awareness and understanding of Real Time Information (RTI) were low. In addition, some participants were unclear on how it would be used in the tax credits system. Some participants were unaware of how the Pay As You Earn (PAYE) system worked and assumed that their employers would be sending information to HM Revenue & Customs (HMRC) for the first time. Others, who were aware of the PAYE system, understood the use of RTI more easily; although, some of these participants believed that HMRC already had access to up-to-date PAYE income information for customers.
- (ii) Those in the PAYE-only group viewed the move to the auto-renewal system as the most significant aspect of the changes as it would mean that they would only need to check their information rather than report it to HMRC. Most PAYE-only participants welcomed this.
- (iii) However, some of these participants expressed a need for reassurance about their claim which they said may lead them to call the helpline, at least for the first year.
- (iv) Participants who received part or all of their income from non-PAYE sources did not feel the introduction of RTI would have a significant impact on their claim management behaviour. This was because they would need to continue providing non-PAYE income; they considered this to be the most onerous aspect of renewing their claim.
- (v) Participants did raise a number of concerns and questions about the introduction of RTI within the tax credits system. These were largely concentrated on their employers' role in reporting information to HMRC. Participant questions mainly focussed on accuracy and timeliness of reporting by employers as well as the security of the system and whether or not claims would be adjusted continuously throughout award periods.

2.1 INTRODUCTION

This chapter explores current awareness and understanding of RTI, attitudes towards the use of RTI in the tax credits system as well as any questions or concerns they had which may impact upon their claim management behaviour.

2.2 PARTICIPANTS' AWARENESS AND UNDERSTANDING OF RTI

Awareness of RTI was low and very few participants had heard of the term previously. Of those who had, not all were able to explain what it meant or how it might apply to the tax credits system.

Understanding how RTI might work was closely related to the participant's awareness and understanding of the PAYE system. Most participants were aware of the PAYE system and understood that it meant their employer(s) provided income information to HMRC for tax purposes. The main source of confusion amongst these participants was around how often HMRC received such information. Some assumed that HMRC already received details of their earnings during the tax year and were therefore surprised that RTI did not already exist within the system.

“I am surprised. I thought all the information would have been under one roof... I presumed they would be able to already get it.”

Female, PAYE-only, Manchester

Previous research⁴ found that a common perception among tax credits customers was that HMRC already had access to the income information which it asks customers to report. In this sense, the introduction of RTI represents a move towards a system which some customers believe already exists.

While most were aware of the PAYE system, some participants, particularly in the PAYE-only group were less aware; they struggled to understand how RTI might work. Their lack of awareness about the extent to which their employer was already communicating with HMRC about their earning information meant they found the use of RTI within this system more difficult to grasp.

“Pay As You Earn...that is quite different. I mean I don't know, I've not come across it before.”

Female, part-PAYE, Taxable Social Security Benefits, Manchester

These participants assumed that the introduction of RTI meant that HMRC would be getting information from their employers for the first time which, in turn, raised a number of concerns outlined in section 2.4. For some participants, part of the reason for this confusion was that they still associated tax with the Inland Revenue and tax credits with HMRC which made the use of RTI feel like a significant change. They thought the Inland Revenue and HMRC were separate entities.

⁴ Hall, S. Leary, K & Branson, C: *Qualitative research to explore tax credits customers' renewal behaviour*, HM Revenue & Customs Research Report 186 (Ipsos MORI 2012)

2.3 PARTICIPANTS' ATTITUDES TOWARDS THE USE OF RTI WITHIN THE TAX CREDITS SYSTEM

Part-PAYE participants did not tend to view the introduction of RTI within the tax credits system as being a very important change and did not believe that it would have a significant impact upon their claim management behaviour.

This was particularly true of self-employed participants who felt that reporting their PAYE income was the easiest part of renewing their claim. They would still, therefore, have to undertake what they considered to be the more difficult task of calculating their non-PAYE income figures and contacting HMRC to renew their claim.

“They’re somewhat laborious to fill out. Because my husband is self employed I have to wait until his books have been to the accountant and I’ve got all the paperwork back before I can complete the tax credits form.”

Couple, part-PAYE, Self-employed, London

PAYE-only participants also tended to view RTI as a small change as they will only need to check the income recorded on their Annual Review rather than report the figures which they felt that the change would make claim management easier.

The introduction of RTI was particularly welcomed by participants who found reporting their income a difficult or a stressful task as they felt it would reduce the burden. This was often due to them being uncomfortable with dealing with figures and concerns about making errors.

“For people who aren’t very good at filling out forms or good with figures, it will take a lot of the pressure off.”

Couple, PAYE-only, Birmingham

The move to the auto-renewal system was welcomed by most PAYE-only participants as it would mean that they would no longer need to contact HMRC to renew if information about their circumstances was correctly recorded. This was particularly desirable to those who believed that renewing was a chore which required long waiting times and expensive calls to the helpline.

"Yeah, definitely, without a doubt. I hate calling them."

Female, PAYE-only, London

Where participants didn't see RTI as being a significant change for themselves, most discussed the wider benefits of this for the tax credits system. They believed that the use of RTI would make the tax credits system more efficient and reduce the number of overpayments caused by error or fraud by other tax credits customers. There was a strong perception among most participants that deliberate inaccurate reporting of income was common within the system and so they were supportive of any measures which would prevent this.

"Some people are trying to fiddle the system and say they earned less so at least this way you are able to get the truth."

Paired depth, part-PAYE, Taxable Social Security Benefits, Manchester

2.4 PARTICIPANTS' KEY QUESTIONS AND CONCERNS ABOUT THE USE OF RTI WITHIN THE TAX CREDITS SYSTEM

A common concern held by participants was how the communication between their employer and HMRC would work in practice. In particular, they were concerned about the new role they perceived their employer would take in their claim as well as the ability of their employer to provide the correct information, on time, and securely.

Below are some of the more specific questions that participants had on the introduction of RTI within the tax credits system.

What role would my employer have?

Participants, who were unaware of the PAYE system or how it worked, perceived that the introduction of RTI would mean that their employer would be taking a new and direct role in their claim. Many of these participants viewed their claim as a joint responsibility between themselves and HMRC and felt that RTI would mean that their employer would now be included in this. Some participants, particularly those who worked for smaller employers were uncomfortable about this as they assumed their employer would find out that they were a tax credits customer and how much they were awarded; this raised privacy concerns for those participants.

"I'm worried because it means the employer gets control."

Female, part-PAYE, Self-employed, Birmingham

Would my information be secure?

The security of the system set up for employers to report income was questioned. Participants who were unaware that employers already provide information to HMRC believed that such a system would be large and complex as it would involve all UK employers continually sending information to HMRC; this caused concerns regarding the security of the system including access. .

What if my employer provided incorrect information?

Participants' confidence in their employer(s) to provide correct information to HMRC was varied. Again, those with the lowest awareness and understanding of the PAYE system were most concerned about this issue. They believed that employers would be sending their income information to HMRC for the first time and so would not have the experience necessary to do this correctly.

This was also a particular concern for those who worked for smaller employers or those who had previously experienced payroll issues with their employers, either by being paid

the wrong amount or being put on the wrong tax code. These participants were concerned that their claim could be affected due to employer error.

“I was paid incorrectly by my employer for a while last year so I'd be worried that mistakes might be made and passed on to HMRC which might affect my claim.”

Female, PAYE-only, multiple employment, Birmingham

Participants who worked for larger employers with a payroll department and those who were more aware of the current PAYE system tended to be more confident that their employer would get it right.

What if my employer didn't provide the information or sent it late?

Some participants were concerned that their employer would either not send their income figures to HMRC or would do so late. Again, this view was typically held by participants who had previously experienced problems with their employer regarding their pay or tax code.

Additionally, those who worked for very small employers and knew the person who would be responsible for providing the information tended to have the least confidence that this would be done on time. These participants assumed that if their employer did not send the information on time then their renewal would be delayed. This led to concerns that they would either receive an overpayment or an underpayment, or that their claims may be stopped until the information was provided by their employer.

“Not every employer is going to do this, they won't be bothered and if they do it late then my form won't come through and I could get my payments stopped or get an overpayment.”

Couple, part-PAYE, Self-employed, Birmingham

Would my claim be continuously adjusted?

Most participants assumed that the use of RTI within the tax credits system meant that HMRC would use the information to adjust the claim following a change in income or at regular intervals during the award period. This was a concern for those who had varied working hours and a fluctuating income; they reported that their tax credits award was the only stable source of money which they could rely on. They were concerned that if they earned a high amount in a given month then their claim would be adjusted and reduced for the following payment which might coincide with a month when their income was lower, therefore making it hard for them to budget.

“It would be a bit of a pain 'cause you might get a renewal come through, a new reward or whatever comes through each month.”

Couple, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, Birmingham

3 PARTICIPANTS' UNDERSTANDING OF KEY RTI COMMUNICATIONS

CHAPTER SUMMARY

- (i) In order to gauge how customers might react to receiving communications about Real Time Information (RTI) participants were initially handed a pack to look through without any prompts or explanation from the interviewer. Participants tended to read the pack in the order that it was passed to them with most noting the inclusion of the flyer as it was new and, therefore, stood out.
- (ii) Participants made suggestions as to how the flyer content could be changed to most effectively communicate the key messages to them. They favoured an informal tone and for messages to be communicated concisely using an eye-catching layout through the use of colour.
- (iii) The Annual Review was the only document that was consistently read by the participants. Although, most did not realise that the content of Steps B and C had changed and most PAYE-only participants did not realise that they had been given an auto-renewal rather than reply-required form.
- (iv) Part- Pay As You Earn (PAYE) participants found the Annual Review confusing because of the additional incomes mentioned in Step C and suggested that an explanation of these terms would be helpful – particularly given they did not refer to the Guidance Notes.
- (v) Generally, participants felt that communicating by post was the most appropriate way to tell customers about the move to RTI. As it was not seen to be a significant change to the tax credits system, most did not feel it warranted an expensive advertising campaign in order to raise awareness.

3.1 INTRODUCTION

This section describes participants' understanding of, and reactions to, the communications in the example renewals pack. It also outlines how they responded to each individual document and their reasons for this. The section also includes details on how participants thought the communications could be improved.

The renewals pack contained:

- the Annual Review,
- one of the two flyers and
- Guidance Notes.
- Part-PAYE participants also received the Annual Declaration in their pack.

At the start of the interview, participants were handed the renewals pack and given time to look through the contents. Following this, they were asked to explain what was being communicated to them. To assess how participants might react to receiving this kind of information through the post, they were not given any further information at that stage. Once the initial communications test was complete, participants went through each form in detail.

3.2 INITIAL RESPONSES AND REACTIONS TO COMMUNICATIONS

On being handed the example renewals pack, participants tended to read the documents in the order that they were placed in the pack.

“I always look at what’s on the top first.”

Couple, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, Birmingham

Three different orderings were tested with participants showing it to have an impact on the extent to which participants engaged with the new material in the pack (the flyer). Generally, if the flyer was placed on top then most participants would read it thoroughly. However, if the flyer was placed anywhere else in the pack, they tended to look at it only briefly before turning to more familiar documents.

Regardless of the order of the documents in the pack, participants consistently read the Annual Review form in detail. They reported that this was the document they were most familiar with and the one they tended to focus on when they received their renewals pack as it contained information about their award level. However, they tended to only read the front page and the payments section thoroughly, merely glancing over the rest of the form. This meant that most participants did not notice that changes had been made to the form and assumed that it was the same as the form they normally received in their renewal pack.

“No, I can’t see a difference; has something changed?”

Female, PAYE-only, Manchester

Similarly, the placing of the Guidance Notes did not affect whether or not participants looked at them. None of the participants read the notes; they confirmed that this was in line with what they would normally do when they received their renewals pack. Participants said the reason for this was that they understood what they needed to do to renew their claim and so did not need to refer to the notes, although many said that they had looked at them the first time they renewed. Some participants said that they would refer to the Guidance Notes if they encountered a problem whilst trying to complete the Annual Review. However, based on discussion of participants’ previous behaviours in seeking help during renewals, it seemed more likely that they would call the HMRC helpline with any queries they might have rather than searching the Guidance Notes for an answer.

The part-PAYE participants’ pack also included an Annual Declaration which many had expected to see in their renewals pack. However, most were not familiar enough with the

form to identify whether or not it was different to the one they normally received. Only one part-PAYE participant said that the Annual Declaration had changed.

"Not really no, is there anything different? I would [notice changes] if it was a document I read every day."

Male, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, Birmingham

3.3 DETAILED TESTING OF THE FLYERS AND IMPROVEMENTS SUGGESTED BY PARTICIPANTS

Two versions of the flyer were tested with participants. They felt that using a flyer to communicate the change to RTI was sensible; as participants did not believe the introduction of RTI represented a significant change to the tax credits system, they did not believe an extensive communications campaign was needed.

Overall, participants commented that the flyers caught their attention because the first sentence on both is *'Changes to the tax credit renewal process'*. This meant they were alerted early on that new processes were in place and this encouraged them to engage with the flyer and continue reading.

The use of the term 'PAYE' in both flyers caused confusion because participants did not connect this with the income that was reported on their payslip. This meant that the first paragraph in both flyers and the explanation of the change lacked clarity. As mentioned in the previous chapter, many participants thought of Inland Revenue and HMRC as separate entities; therefore, the thought of their information being transferred between these organisations made them quite anxious in case any of their personal details were lost.

Both groups expressed similar opinions of the two versions of the flyer as discussed in more detail below. While participants isolated different elements of each flyer that they favoured, there was no clear indication that one flyer was preferred over the other.

Participants who were presented with the highlighted version of the flyer thought it looked quite different to the communications they normally received from HMRC and because of this they reported that it caught their eye and encouraged them to read it.

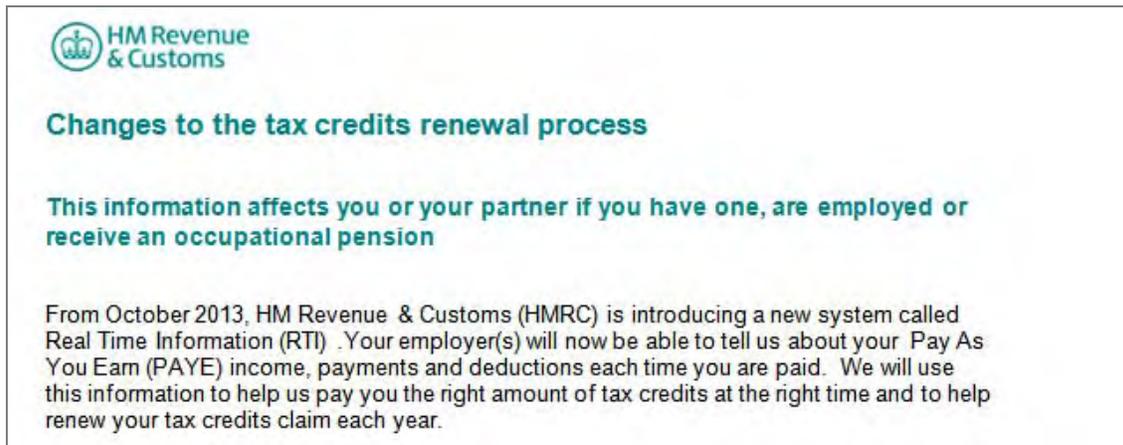
3.3.1 FLYER 1

In terms of the style and layout of the flyers, most thought the coloured headings included in Flyer 1 were useful. This is because they helped participants to identify the important messages within the flyer, making it easier to read.

"It's better because there's more things involved and there's different colours telling you, you know the different bullet points are actually telling you what to do, and the different colours stands out more. It makes it more informative."

Couple, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, Birmingham

Figure 3.1 Flyer 1 – Changes to the tax credits renewal process



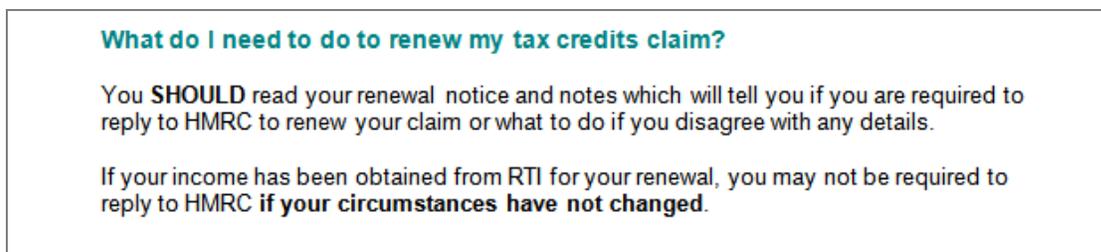
While the headings drew attention, the content in the paragraphs beneath them caused confusion. The use of the term PAYE in the first paragraph caused some uncertainty about what the change actually is; whether it is the introduction of RTI or, in fact, a change related to the PAYE system. The sentence *'Your employer(s) will now be able...'* also caused concern as it made complying with the change sound optional for employers which led them to question what this would mean for their award (Figure 3.1)

Participants appreciated the additional information provided in Flyer 1 but not Flyer 2. For example, some participants noted that Flyer 1 provided an explanation of why they would still need to report any changes in their income which, in turn, gave them a better understanding of the change and the action that they will need to take as a result.

"The wording is better on Flyer 1, it explains more."

Couple, part-PAYE, Self-employed, London

Figure 3.2 Flyer 1 – Renewal instructions



The sentence *"you may not be required to reply to HMRC..."* in section two of Flyer 1 confused some participants as they were unsure of what action to take and their responsibilities regarding their claim (Figure 3.2).

Figure 3.3 Flyer 1 – Reporting changes of circumstance

Do I still need to report changes in my current household income now that you use RTI from my employer?

Yes. Even though your employer sends us details of your earnings and deductions, you may have other income we need to take into account.

Do I need to report changes to my other circumstances?

Yes. It is your responsibility to report all changes immediately, so that:

- your award is up to date
- you receive your full entitlement and |
- you avoid any overpayments.

If you do not tell us of a change, you may be subject to a penalty.

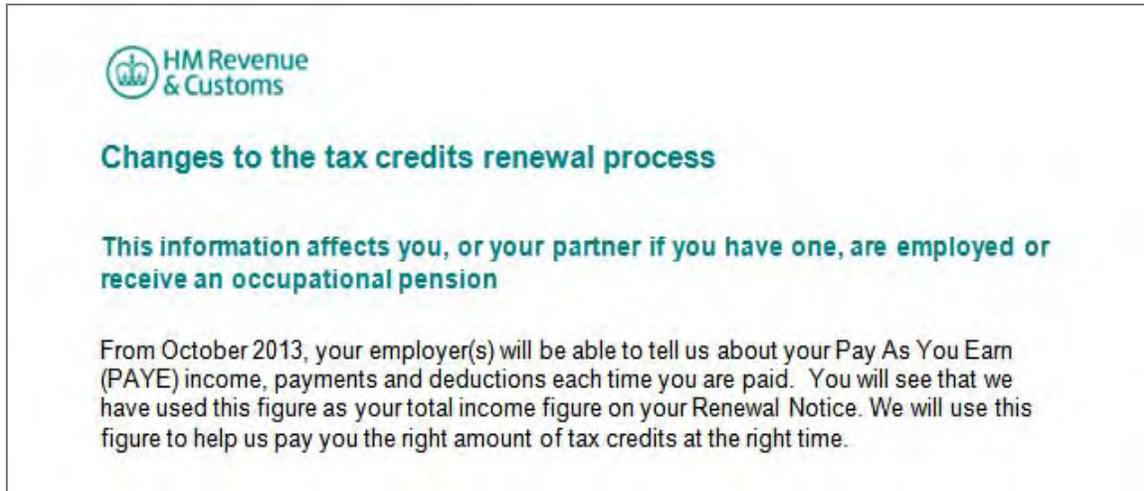
Where can I find out more? Online at www.....gov.uk

The third and final sections of the flyer were positively received. Participants felt these sections clearly explained what they would need to do if they experience any changes in their household income in the future. Despite this, participants did highlight some suggested changes. For instance, some did not like the term “deductions” being used in relation their claim because they could not establish what part of their income this related to. Also while most suggested they were used to HMRC using language around penalties, some thought the inclusion of this term in the last section of the flyer was threatening and unnecessary (Figure 3.3).

3.3.2 FLYER 2

Overall, participants found Flyer 2 to be simpler and more concise. They also felt that the tone was less formal and spoke directly to them; the use of the term “you” was noted as one way that the flyer was able to achieve this. Participants said they were more likely to engage with communications that employ a friendly and informal tone meaning they are more likely to understand the change and what it means for them.

Figure 3.4 Flyer 2 – Changes to the tax credits renewal process



While the tone of Flyer 2 was welcomed, participants did, however, struggle to understand the content. There was no mention of RTI in the first paragraph which caused confusion and left some perceiving that the change to the system was related to PAYE. It is felt that this confusion was mainly due to PAYE being an unfamiliar term and process for some (Figure 3.4).

“Well first of all they don’t mention this RTI thing.”

Female, PAYE-only, Manchester

Some participants misunderstood the sentence *“this information affects you or your partner if you have one...”* They initially thought that the change to the system was only relevant if they had a partner and did not really engage with the rest of the content as they felt that it did not apply to them. Further discussion around this indicated that these participants may have stopped reading the flyer at this point if they had received it in their pack (Figure 3.4).

Figure 3.5 Flyer 2 - Structure overview

 HM Revenue & Customs

Changes to the tax credits renewal process

This information affects you, or your partner if you have one, are employed or receive an occupational pension

From October 2013, your employer(s) will be able to tell us about your Pay As You Earn (PAYE) income, payments and deductions each time you are paid. You will see that we have used this figure as your total income figure on your Renewal Notice. We will use this figure to help us pay you the right amount of tax credits at the right time.

What do you need to do now?

Read your renewal notice and notes which will tell you if you need to reply to HMRC to renew your claim

If there have been **other changes** to your personal circumstances then you **will need to call us to tell us** about those changes

If you disagree with any details you **will need to call us to tell us**

REMEMBER: It is your responsibility to report all changes immediately, so that:

- your award is up to date
- you receive your full entitlement and
- you avoid any overpayments.

If you do not tell us of a change, you may be subject to a penalty.

Where can I find out more? Online at [www.....gov.uk](http://www.hmrc.gov.uk)

Participants also mentioned that Flyer 2 lacked a clear structure which made it hard for them to follow the information. In particular the lack of sub-headings was criticised, especially when contrasted with the formatting used in Flyer 1 (Figure 3.5).

Both the formatting and the content of Flyer 2 led some participants to suggest an increase in calls to the HMRC helpline following receipt of this flyer as they felt it did not provide sufficient information to understand the change or reassurance that their claim was continuing.

“I would say HMRC will get more questions asked if they gave that one.”

Male, PAYE-only, Birmingham

3.3.4 PARTICIPANTS' SUGGESTED IMPROVEMENTS FOR THE FLYERS

Generally, both PAYE-only and part-PAYE participants suggested that for the flyer to be successful, it needed to have a narrative to outline the details. Participants said that it needed to tell them about the change and RTI but, due to low levels of awareness among some, an explanation of PAYE may also be helpful to minimise confusion.

“A little bit more information as to what Real Time Information is and how it works and who it applies to would be nice.”

Couple, part-PAYE, Self-employed, London

In addition, it was suggested that the flyer should outline what the direct impact of this change is to the customer. Doing so may provide reassurance that their claim would remain unaffected, which could help to minimise customer contact.

Finally, participants suggested that currently the flyers do not clearly outline what the customer is required to do. Participants stated that if this were made clearer in the flyer, then they would be happy to receive it as their only form of communication about the change.

Participants felt the flyer would benefit from incorporating the most effective elements from the two versions. It was suggested that the level of information and layout included in Flyer 1 and the personal tone used in Flyer 2 should be used for improved clarity and increased engagement.

3.4 DETAILED TESTING OF THE ANNUAL REVIEW AND PARTICIPANTS' SUGGESTIONS FOR IMPROVEMENTS

Most participants read the front page of the Annual Review thoroughly then progressed to the payments section of the form. As a result, they only glanced over the rest of the document or did not read it at all and so did not tend to notice the changes which had been made to it. This was largely because participants assumed that the form was the same as they had received in previous years and felt that they did not need to read it in full.

Despite not looking at the whole form in detail most participants felt it needed clearer instructions regarding the actions required. Step-by-step guidance was mentioned as something that would be very helpful in this regard which was especially true of Step C, which participants felt was too long and complicated.

3.4.1 PAYE-ONLY ANNUAL REVIEW

While some participants noticed that the income section of the form had been pre-populated, this was only raised after they had read the flyer thoroughly. As a result, many participants suggested that the use of RTI needed to be made clearer in the Annual review particularly in Step B of the form as this is the section that is directly affected by the change.

Participants in multiple employment suggested that the annual review form be amended to outline their PAYE income information separately for each job as this would enable them to check the accuracy of the figures more efficiently. Participants stated they would not be able to check where an error was if they were presented with one combined figure. ,

Some PAYE-only participants noted that the “*check before*” box caught their attention and acted as an alert to them. As a result of this, they read the Annual Review more thoroughly than the rest of the materials in the renewals pack.

Many participants raised the need to make required actions clearer within the Annual Review. Bullet points were mentioned as a helpful way to set this information out for customers.

3.4.2 PART-PAYE ANNUAL REVIEW

Of those participants who looked through the part-PAYE Annual Review, only those who were self employed understood the actions that were required. This was due to their existing knowledge of what additional income for their own circumstances referred to, and how to prepare this.

In general, most participants wanted a more detailed explanation of the additional incomes listed in Step C as the terms used were unfamiliar and caused confusion as to what their responsibilities were (Figure 3.6).

Figure 3.6 Part–PAYE annual review form

Step C

Complete your Declaration form

When you have checked Steps A and B:

Work out your income

You need to tell us about your joint income for 2012–2013. Use the Working Sheets in the enclosed Notes to help you fill in Part 2 of your form TC603D *Annual Declaration*.

Income you need to tell us about.

- Your earned income.
- Benefits in Kind.
- Self-employed income.
- Taxable Social Security Benefits.
- Other Income including Occupational Pension.

You can make deductions from your income because your employer has told us you received Statutory Payments.

You can make deductions because your employer has told us you have a non net pay pension arrangement.

See the Notes for how to work out your income and deductions.

If you are self-employed or have Other Income from Self Assessment and you cannot give us your actual 2012–2013 income details by 31/07/2013, the Notes tell you how to estimate your income. If you do this, you will need to contact us again when you know your actual income. You must give us your actual income details by 31/01/2014.

For example, participants who had received Statutory Maternity, Paternity or Adoption Pay noted that they would have to inform HMRC of any additional income, although they were unaware that they would also fit into this category. They did not recognise that statutory payments were referring to Maternity and Paternity pay and therefore they did not realise that they could make these deductions to their income.

Similarly, many did not understand what Benefits in Kind were or what was included as a Taxable Social Security Benefit. Therefore further explanation is required.

“Benefits in kind. It really ought to say what benefits in kind means. It’s one of these jargon things. Self employed yes. Taxable social security benefits. It would be a good idea to actually say what the taxable social security benefits are because some are and some aren’t. So it would be nice to have these actually expanded upon so people know exactly what they’re meant to be declaring.”

Couple, part-PAYE, Self-employed, London

The confusion caused by these terms was heightened during Step C of the form, where participants were referred to the Annual Declaration. Participants raised concerns over the complex content of the forms which was not helped by cross-referring. They suggested that all the information needed should be included on the one form.

3.5 ADDITIONAL INFORMATION NEEDS

The majority of participants felt that the most appropriate way to inform customers of the change to RTI is via a flyer in the renewals pack. RTI was not felt to be particularly significant change. Therefore, if the written materials are amended in line with participants' suggestions, these should be sufficient.

However, some participants requested a flyer that was specifically tailored to their circumstances outlining their exact actions. Some participants also noted that it would be helpful if the change to RTI was reflected more explicitly within the Annual Review form, to provide more consistent communications.

4 IMPLICATIONS FOR TAX CREDITS CLAIM MANAGEMENT

CHAPTER SUMMARY

- (i) Most participants understood that they would still need to report any changes of circumstance to HM Revenue & Customs (HMRC).
- (ii) Pay As You Earn (PAYE) only participants were happy with the move to auto-renewals, although some had concerns about not contacting HMRC if the information on the Annual Review was accurate and would be likely to call to confirm, at least for the first year.
- (iii) Part-PAYE participants did not think the move to Real Time Information (RTI) would affect the way they manage their claim. For self-employed participants this meant that they would be likely to fulfil their responsibilities.
- (iv) Self-employed participants and those claiming Taxable Social Security Benefits were likely to report their additional non-PAYE income as they had previously.
- (v) Low awareness of the need to report Benefits in Kind and Statutory Maternity, Paternity or Adoption Pay amongst participants may mean that these are not reported – resulting in overpayments and underpayments respectively.

4.1 INTRODUCTION

This chapter explores the impact that the communications and move to RTI may have on the way different customers manage and renew their tax credit claims.

4.2 LIKELY APPROACH TO REPORTING CHANGES

The majority of participants were aware they would still need to report any changes in circumstances during the award period and at renewals time to HMRC. Although, in contrast a small number of participants believed their claim would be regularly updated with any income changes through RTI therefore, they did not need to report changes of circumstances.

Some participant's felt the introduction of RTI would not have any impact upon their behaviour and would probably continue to report any changes of circumstances as it was something that they already did and know they need to do to ensure that their claim was correct and did not incur an overpayment.

“You should already be aware that you’ve got to notify things.”

Couple, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, & Taxable Social Security Benefits, Manchester

4.3 LIKELY BEHAVIOURS DURING THE RENEWAL PERIOD FOR PAYE-ONLY CUSTOMERS

PAYE-only participants were pleased with the move to auto-renewals as they believed this would make their claim easier to manage. Most understood their responsibility to check the form for accuracy and that if all was satisfactory no action was required. In particular, those who had difficulty in completing the Annual Declaration welcomed this change.

While participants generally acknowledged that they would need to contact HMRC if their income was not correct on the Annual Review, some said they would just assume that the details held by HMRC were correct. There is a risk, therefore, that those customers may not always thoroughly check the accuracy of the details.

It is important to note that some participants raised concerns about the move to auto-renewals, particularly regarding not having to call HMRC if everything on the Annual Review was correct. They felt responsibility for their claim was being removed from them and, as a result, they would not know if everything was being processed correctly. These participants noted that they would ring the helpline in order to seek reassurances about the status of their claim.

“I would still ring to check. I don't want to end up with an overpayment.”

Couple, PAYE-only, Birmingham

4.4 LIKELY BEHAVIOURS DURING THE RENEWAL PERIOD FOR PART-PAYE CUSTOMERS

As reported earlier, part-PAYE participants did not see the move to RTI as being a significant change to the system, and did not believe it would affect their renewals behaviour. This was especially true of some self-employed participants as their accountants completed their renewals pack for them, and their renewals process would be unchanged by the introduction of RTI.

However, issues were identified for some part-PAYE participants. The low levels of awareness about what a Benefit in Kind was and included indicated that participants did not always declare them; simply because they were not aware they needed to. The participants who realised that a Benefit in Kind could include a company car were unsure of why HMRC would need to know this information as they did not class it as part of their income. Without a clearer explanation of this term, there is therefore a risk that Benefits in Kind could remain unreported, proving to be a significant source of error and fraud within the system.

Participants were also unaware of what was included under the term Taxable Social Security Benefit. Although, most who received a Taxable Social Security Benefit were reporting this information because they considered it as part of their income and are likely to continue doing so despite not understanding the term or how it relates to them.

Those who had been in receipt of Statutory Maternity, Paternity or Adoption Pay did not realise that the term statutory payments was referring to this. This group had very low

awareness of being able to make deductions to their income if they had taken statutory leave payments relating to having a child.

“I would never have clicked that statutory payments means my Maternity Pay, that I could deduct or how I could do this - it needs to be clearer.”

Female, part-PAYE, Statutory Maternity, Paternity or Adoption Pay, Birmingham

These participants suggested they would be likely to renew as they have done previously as they were unaware that they had any non-PAYE income to inform HMRC of. This may, in future, be a cause for confusion if a customer has moved to the auto-renewal system and then later receives a reply-required form as a result of having had a baby.

5 CONCLUSION

The use of RTI within the tax credits system was not felt to represent a significant change. However, participants believed it was important for HMRC to communicate this change to customers, ensuring they are aware of any changes to their responsibilities. Participants felt that the inclusion of a flyer in the renewals pack which clearly detailed the changes would be an effective way of doing this. As most participants did not notice that changes had been made to the Annual Review and Annual Declaration presented to them, it seemed likely that the change of process would be missed if a separate communication was not included.

Neither of the two flyers tested was clearly favoured. Most participants expressed a preference for: an informal tone; clear and concise messages; and the use of section headings and colours to make such communications easier to read. Not all participants were confident in making judgements regarding what they needed to do as a result of the change; therefore, they wanted any actions to be outlined in a clear format, without caveats or ambiguity.

Despite most participants feeling that RTI would not have much of an impact on how they managed their claim, there were a number of concerns raised about the system. These were largely held by those who lacked awareness and understanding of the PAYE system and so believed that RTI would involve a much larger change, with employers communicating with HMRC about their earnings for the first time. Most questions and concerns related by participants centred on the employer's role rather than on how their own responsibilities would change.

Participants who received all of their income from PAYE sources tended to view their possible move to the auto-renewal system to represent a more significant change to their claim management responsibilities. Most welcomed this move as they felt that checking details would be easier, quicker, and, if they did not need to call the helpline, cheaper than reporting them. However, it seemed likely that this might result in two types of undesired behaviour. Some participants who reported that they disliked or struggled with renewals indicated that they would be likely to assume that details provided by HMRC would be correct, which might mean that they would not check them. Others, particularly those who relied heavily on their tax credits award, said that they would be uncomfortable with not calling the helpline to confirm that their details were correct and it is likely that they will continue to call for reassurance for at least the first year.

Participants who received income from both PAYE and non-PAYE sources tended to believe that RTI would not affect them at all and so suggested that they were likely to continue with current claim management behaviour. Findings showed an existing lack of awareness around the need to add or deduct some sources of income, especially Benefits in Kind or Statutory Maternity, Paternity or Adoption Pay, which could result in errors of payment, reiterating the need for clearer messaging.