



Research report

Testing the P800 Tax Calculation and Notes

Personal Tax Customer & Strategy

15 August 2012

P800 Communication Test

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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P800 Communication Test

Research requirement (background to the project)

Each year HMRC carries out an end of year reconciliation to compare records from employers, pension providers and the DWP with customer records. Where the details differ, customers are issued with a P800 *Tax Calculation* to show the overpaid or underpaid tax. Often, this is the first time a customer becomes aware of any over or underpayment issues, and they may not understand why it has happened. This can be a distressing time, and can generate contact from customers who are confused and don't know what to do.

By understanding customer perceptions of the P800 communication, as well as the areas of the letters that cause confusion, HMRC can work to tailor and improve the current communication which will serve to reduce customer error and low value contact, so saving costs for HMRC and the customer. A research project was designed to test potential customer understanding of the content of the introduction letter, the tax calculation page and the notes pages.

When the research took place

The data was collected between the 26th of March and 4th of April 2012 and the findings were reported in June 2012.

Who did the work (research agency)

Holden Pearmain is a full service market research agency focusing on offering bespoke intelligent research. As well as offering expertise in innovative NPD techniques they have extensive experience in customer research, branding, advertising effectiveness and segmentation research.

Method, Data and Tools used, Sample

A self-completion online survey was sent to respondents, over the age of 18, who would potentially be eligible to receive a P800 tax calculation in the future. Seven main customer segments were targeted: higher rate customers, pensioners, people approaching pensionable age, people who receive company benefits, people who regularly change employment, low income from employment, income from more than one source.

In the survey respondents were shown a P800 letter and Tax Calculation tailored to their segment. All segments were split equally between those viewing under- or overpayment scenarios. Some higher rate tax payers were chosen to view a multi-year scenario which involved looking at three sets of P800 communications from three different tax years.

A nationally representative sample of 500 was first collected before boosting each segment category to 100 completes. A total of **1,671** completed online interviews were achieved.

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Main Findings

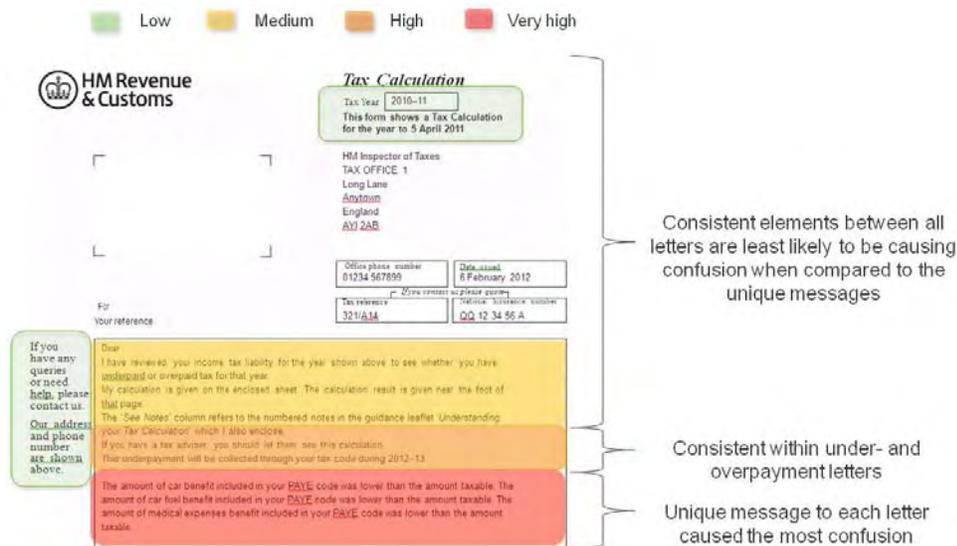
Understanding the P800 Letter



As part of the hotspots survey task, respondents are asked to click on any parts of the letter that they find confusing or that are not completely clear. Just over half of respondents (53%) indicated that at least one element of the letter was confusing or unclear. When compared to the benchmark figure of the 30% obtained for the Capital Gains Tax letter tested in January 2012, the confusion score for the P800 is significantly higher.

A colour coding system, shown on the figure below, indicates how often different parts of the letter were chosen as confusing. The different letters, for each of the scenarios tested, have some consistent elements and some unique paragraphs that are designed to explain each individual scenario. Those sections that pertain to the explanation of the reasons for under or overpayments particular to a respondent’s circumstances created the most confusion. The confusion caused by these unique paragraphs is particularly high (between 20-45% depending on the different message shown to each segment) and corresponds with high levels of claimed future contact with HMRC to resolve the confusion.

Figure 1: Heat map of confusion on the P800 letter

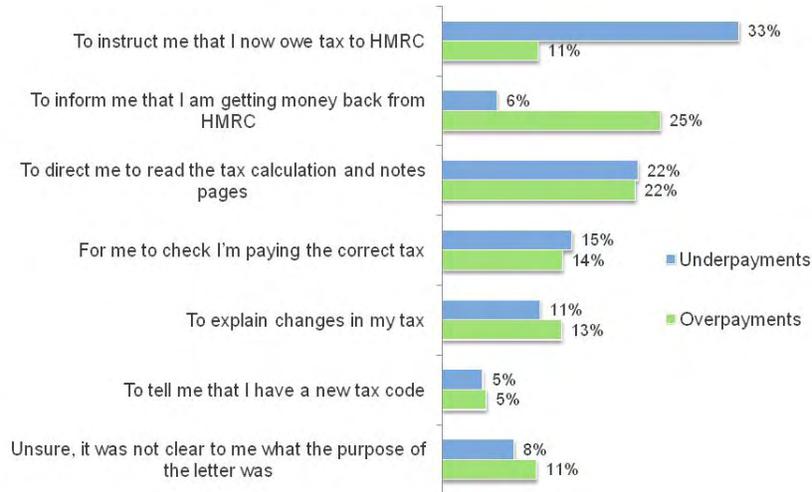


In addition to marking any areas of confusion on the letter itself, respondents were also asked about their understanding of the main purpose of the letter. The main purpose of the letter does not seem to be clear to respondents; 10% of respondents admit that the purpose of the letter is not clear to them and only between a quarter (25%) and third (33%)

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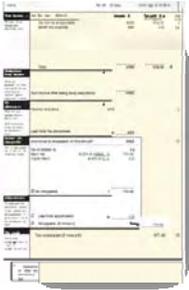
correctly identifies the main purpose of the letter. Overpayment scenarios in particular do not communicate clearly that respondents will be getting money back. At least 11% mistakenly thought they were being asked to pay additional tax. This compares with a 6% misunderstanding among those receiving underpayment letters.

Q. What do you believe the **main purpose** of the communication to be? Please select one answer only.



In addition to testing their understanding by asking what they felt the main purpose of the letter was, respondents were asked if they feel confident that they understand the purpose of the letter (on a scale of 1 to 10, where 1 was not confident at all and 10 was absolutely certain). 37% of respondents viewing the underpayment letter scored their understanding low; at 6/10 or lower. Claimed understanding is even lower for those seeing the overpayment letters; 43% scoring 6/10 or lower.

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Understanding the P800 Tax Calculation

Respondents were also asked to click on the parts of the P800 Tax Calculation page that they did not understand or found confusing. One in two respondents (54%) found one or more parts of the Tax Calculation confusing/unclear. The main areas causing confusion on the P800 Tax Calculation are shown in the table below.

% finding one or more sections of tax calculation 'confusing'

Areas of the calculation	Underpayments	Overpayments
Pay from all employments/PAYE income	6%	7%
Total of Income and Tax already paid (A)	3%	6%
Tax on £...is	10%	11%
Personal Tax Allowance	4%	6%
Less Total Tax Allowances	4%	7%
Income tax is chargeable on this amount	6%	8%
B Tax Chargeable	5%	6%
C Less Total Adjustments	6%	5%
D Tax Payable (B minus C)	7%	6%
Tax underpaid (D minus A)	13%	16%

*Table shows only highest values

The tax calculation page is more effective than the letter in communicating a clear purpose. 66% of respondents viewing overpayment letters and 77% viewing underpayment letters identifying the main purpose correctly (as either "To explain my under/overpayment calculation" or "To instruct me to pay money back to HMRC/inform me that I will receive money back from HRMC"). Respondents remain somewhat uncertain about their understanding of the tax calculation, with between 34-40% still scoring a 6 or lower out of 10 on the confidence scale.

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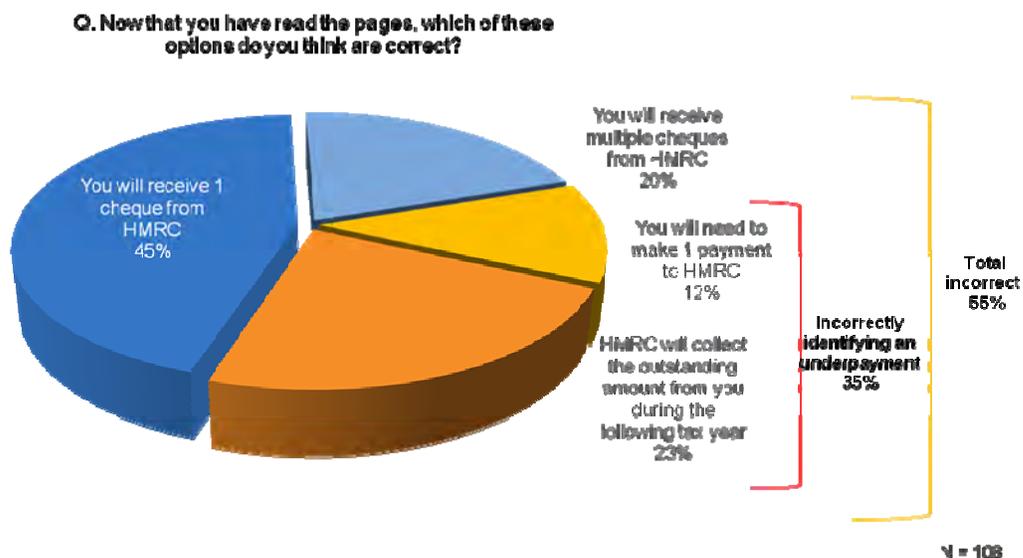
Call to action

In addition to understanding, the study aims to determine if the communication will elicit the correct behaviour, and therefore help minimise unnecessary contact with HMRC through phone or writing. Respondents were asked: “Assuming you received this communication yourself, which of the following do you think you would do in real life upon receiving the letter”. Although many of those viewing an overpayment scenario plan to file their documents safely and then wait for their repayments, 33% would still contact HMRC. Respondents who viewed underpayment scenarios plan to check their records for any possible errors and are likely to contact HMRC (44%).

24% of respondents who viewed the overpayment scenario would expect a cheque in the same envelope as the letter, and an additional 27% expect the money to be paid directly into their own bank accounts. Most of those viewing the underpayment scenario felt it likely that they would be paying any outstanding tax throughout their tax payments over the next tax year (66%). A fifth (21%) indicated that they would pay over the phone.

Multi-year scenario

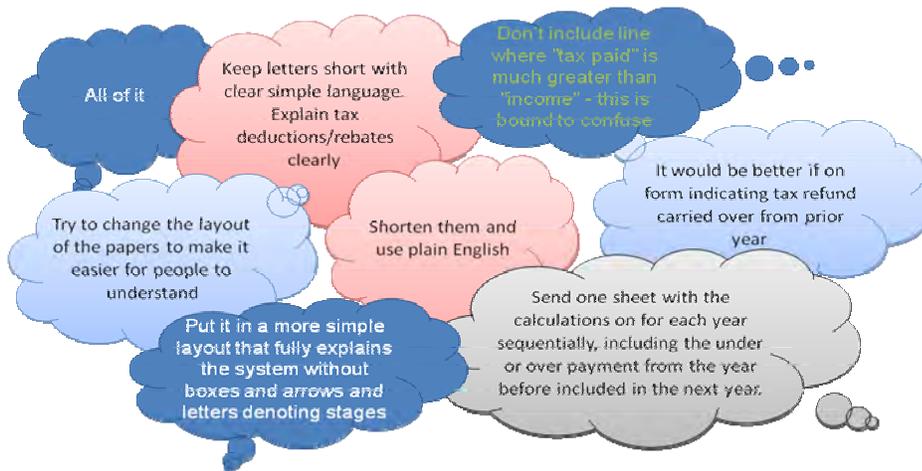
59% of respondents did not find any parts of the first tax calculation confusing, yet by the second and third tax calculations 68% of respondents were choosing one or more parts of the calculation as confusing. The multiyear scenario was an overpayment scenario, yet 35% wrongly identified it as an underpayment scenario.



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Respondents are not very confident that they understand the multiyear communication (41% scoring 6/10 or lower) and 59% found it difficult to identify that the three tax calculations pages related to three different tax years.

Verbatim comments suggest that respondents do not understand the need for three separate calculations and feel it would be easier to understand if all were summarised on one page.



A large percentage of respondents, 41%, claim that they would most likely contact HMRC in some way if they received the communication in the post themselves. This compares to 33% of respondents viewing a single year overpayment scenario

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The notes pages

The notes pages were read by 25% of respondents during the survey, yet the majority (84%) indicate that they would most likely have read the notes in real life had they received it. The notes are generally rated as helpful by those who read them. The percentage reading each section (of the 25% reading the notes at all), and the corresponding percentage finding each section helpful are shown on the notes pages below

Understanding your P800 Tax Calculation

These notes are to help you understand and check that the details on your tax calculation are correct and complete. The numbered notes match the 'See note' section on your P800 calculation.

The tax calculation shows your total income and the amount of tax you have paid. It will show you if you've overpaid (too much tax paid) or too little tax (underpaid) at the end of each tax year.

25% of respondents read this section. 37% of those who read it found it helpful.

18% of respondents read this section. 85% of those who read it found it helpful.

13% of respondents read this section. 75% of those who read it found it helpful.

13% of respondents read this section. 67% of those who read it found it helpful.

Contents

- Your income (notes 2-4)
- Deductions from income (notes 5-7)
- Tax allowances (notes 8-9)
- Income tax chargeable (note 10)
- Adjustments (notes 11-14)
- The result (notes 15-17)
- What to do if you think something is wrong
- Contact us
- Additional help outside HMRC
- Rates of tax and allowances for 2004-2011

Your income

This section shows all your income and the tax paid on that income from:

- jobs or pensions. You can check the details against the P800 your employer or pension payer gave you.
- the Department for Work and Pensions (DWP) state benefits. You can check the details against the P800 your employer or pension payer gave you.
- other income. Job leavers' Allowance, employer's approved share incentive (Share Incentive) and taxable benefits paid by HMRC. You should use letters sent from DWP to check the information on the calculation.
- There is more information about jobs and pensions at <http://www.hmrc.gov.uk/employment.htm> and about state benefits at <http://www.hmrc.gov.uk/statebenefits.htm>.
- There is more information about other income and taxable benefits at <http://www.hmrc.gov.uk/otherincome.htm>.

44% of respondents read this section. 89% of those who read it found it helpful.

Deductions from income

5 Tax relief for expenses

This is a deduction for expenses that you pay in doing your job such as:

- professional subscriptions
- travel expenses
- expenses for tools
- expenses for work clothes
- travel expenses you incur while doing your job.

There is more information at <http://www.hmrc.gov.uk/income/tax-relief.htm>.

37% of respondents read this section. 67% of those who read it found it helpful.

6 Maintenance relief

This is a tax relief for payments you make to your spouse or civil partner.

32% of respondents read this section. 91% of those who read it found it helpful.

7 Death and disability benefits

If your employer or the society has not asked you to do this, you should do it.

14% of respondents read this section. 85% of those who read it found it helpful.

Tax allowances

8 Personal allowance

This is the amount you can deduct from your total income before we calculate the tax you pay. The amount you can deduct depends on your age and the total amount of your income. A table setting out the different personal allowances, due and the rates at which tax is charged, is on page 4.

11% of respondents read this section. 91% of those who read it found it helpful.

9 Blind person's allowance

This allowance is not restricted by age or income, nor do you have to be cohabiting with your partner. You must transfer their unused allowance to you.

37% of respondents read this section. 72% of those who read it found it helpful.

Income tax chargeable

This is the amount of tax you pay on your income once you have taken off all the allowances and deductions.

8% of respondents read this section. 92% of those who read it found it helpful.

Adjustments

This section includes:

- any tax for an earlier year that we have added to your calculation.
- any amount of married couple's allowance due to you.
- any amount of married couple's allowance due to your spouse or civil partner.
- any amount of married couple's allowance due to you or your spouse or civil partner that you can deduct from your total income. Please refer to the table on page 4.
- any amount of relief due for maintenance payments. This can only be claimed if you are a former spouse or civil partner.
- any amount of relief due for interest on a loan.

25% of respondents read this section. 91% of those who read it found it helpful.

The result

If your tax calculation shows that you have overpaid tax it means that you owe tax.

- If you get a refund, you should get it by the end of the year.
- If you have overpaid tax, you will normally collect the amount you owe by including it in your tax code for the tax year starting on the following 6 April.
- If for some reason we can't do this, we will contact you separately.
- If giving the amount back over one year causes you financial difficulties, get in touch with us so we can discuss alternative payment arrangements.

If your tax calculation shows that you have overpaid tax it means that you owe tax. We will either send you a refund or the amount you owe. If the amount you owe is more than £100, we will send you a cheque which will cover all the years we have returned to you.

5% of respondents read this section. 89% of those who read it found it helpful.

What to do if you think something is wrong

If you think the P800 tax calculation includes incorrect amounts, what should I do?

Get in touch with us straightaway. There may be occasions when you need to contact us for advice or information. We will do our best to help you. We will send you a letter if we have any information that we think may be incorrect. This may mean that the underpayment or overpayment shown on your tax calculation is wrong. If you let us have the correct figure we will send you a new calculation.

24% of respondents read this section. 64% of those who read it found it helpful.

15% of respondents read this section. 91% of those who read it found it helpful.

% Reading each section (based on total reading notes n = 422)

% Helpful (based on those reading and rating each section)