

# **Understanding HMRC Customers: Feedback from Representatives of Race, Disability and Gender groups**

**A research report for HMRC**

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Suzanne Hall

Paul Harvey

Nick Allen

Ipsos MORI Social Research Institute

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## Glossary of terms

<b>BAME</b>	Black, Asian and Minority Ethnic
<b>CCE</b>	Childcare Element (of Working Tax Credit)
<b>CTC</b>	Child Tax Credit
<b>Customers</b>	When the term 'customers' is used in this report we mean those members of the public and small businesses who contacted the organisations consulted as part of this research to access help and advice on dealing with HMRC.
<b>DWP</b>	Department for Work and Pensions
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>Protected characteristics</b>	As per The Equality Act 2010, 'protected characteristics' refer to the grounds upon which discrimination is unlawful. While the law protects everyone, this report focuses on three protected characteristics only: ethnicity, disability and gender. Within ethnicity and gender, it focuses on women and BAME groups in particular.
<b>Stakeholders</b>	When the term 'stakeholders' is used in this report we mean those organisations that we consulted and who shared with us the experiences their customers had of engaging with HMRC.
<b>TCO</b>	Tax Credits Office
<b>ULO</b>	A User Led Organisation. is defined as one where the people the organisation champions or provides a service to must be drawn from the kind of people the organisation represents, supports or is set up to work with. Representing disability issues, they tend to work according to the social model of disability believing that the way society works and how things are done can stop disabled people from doing things that non-disabled people do.
<b>WTC</b>	Working Tax Credit

## Summary of findings

### ***Background***

- In light of the requirements laid down in the Equality Act 2010, and the Northern Ireland Act of 1998, HMRC commissioned Ipsos MORI to consult with stakeholder organisations and interest bodies representing BAME customers and recent migrants, disability and gender groups to provide it with a better understanding of the areas of its business that are perceived to pose greatest risk for discrimination and which offer greatest potential for promoting equality.
- To do this, Ipsos MORI ran three half-day workshops with up to fifteen stakeholders at each representing their customers on issues relating to their protected race, gender and disability characteristics. This was supplemented by ten depth interviews conducted over the telephone with stakeholders who were unable to attend the workshops.
- The findings of the report should therefore be interpreted bearing in mind the methodology adopted: the stakeholders we engaged with shared the experiences of the kinds of people their organisation came across on a regular basis. Given many of these organisations had a very specific remit, we consequently only examined the experiences of a defined group of customers – not HMRC’s customers as a whole.

### ***Understanding the customer groups***

- Stakeholders mentioned a number of common characteristics in relation to each of the three customer groups we researched for this project. This information provides useful contextual detail that can help explain their behaviours and attitudes in relation to HMRC.
- Stakeholders reported that the BAME customers they represent are often dependent on a range of benefits yet faced challenges claiming these due to language difficulties. However, they were often well networked in their community so able to access informal help and support.
- Disabled customers were also frequently described by the stakeholders that represent them as being reliant on benefits, yet the ease with which they could claim these depended on the nature of their disability. Those that found it challenging had to rely on third party assistance.
- Stakeholders discussed how the women they engage with typically live on low incomes. They also mentioned that, in many couples, it is often the man that takes responsibility for the household bank accounts and dealing with the official paperwork. This can result in household benefits not always reaching the intended recipients.

### ***Communicating with HMRC***

- Written communications were often described as inaccessible, particularly for BAME customers and recent migrants with English as a second language,

dyslexic people or those with sight impairments. There are examples of good practice though; stakeholders noted the increasing use of diagrams in HMRC's leaflets which were thought to help break up the text.

- Issues with telephone communications centred around the high cost of calling and the difficulties faced by those with hearing impairments or those who had English as a second language. However, telephone communications were thought to be convenient for some of the groups looked at – particularly for women with busy lives.
- Stakeholders' main concern with online communications was that they suggested that women, BAME groups and some disabled people were less likely to have access to the internet. However, it was a welcome tool for those with hearing impairments or mental health problems.
- Face-to-face communications were praised by stakeholders for their effectiveness. However, there were concerns around the accessibility of enquiry centres for women and disabled people while those with English as a second language were believed to find it hard to book appointments with interpreters.

#### ***Interacting with HMRC's four business areas***

- Benefits and credits were seen as a vitally important part of the income of disabled people, low income recent migrants, and working mothers. However, take-up was believed to be low among certain BAME groups due to there being a stigma attached to claiming government financial support.
- Personal tax obligations were believed to be challenging for some BAME customers and recent migrants to understand due to the language barrier. Those representing disabled customers also suggested that personal tax issues would become more prevalent for disabled people given the move towards personalised budgets for care.
- In relation to business tax, stakeholders representing disabled people suggested their customers were not always aware of there being VAT exemptions on the equipment they needed to manage their disability.
- Stakeholders spoke most negatively about HMRC's enforcement and compliance activities which were often thought to be impersonal and inflexible.

#### ***Considerations for HMRC***

- Stakeholders mentioned a number of considerations for HMRC in relation to its four main business areas: benefits and credits; personal tax; business tax; and, enforcement and compliance. For BAME customers and recent migrants these considerations centred around language with stakeholders suggesting that HMRC's communications should be made more readily available in alternative languages. Building on this, stakeholders also recommended that HMRC works with community leaders to ensure key messages filter through to these hard-to-reach customers.

- For disabled customers, stakeholders suggested that it would be advantageous for HMRC to understand the needs of its disabled customers in detail. For benefits and credits customers, it was thought that an in-depth conversation between them and HMRC staff at the time of their application would be a helpful means of enabling staff to understand how their disability might affect their relations with HMRC.
- When discussing women, for many stakeholders the main issue was the need for increased financial education and empowerment. It was thought that this would help ensure that women would be more easily able to meet their obligations to HMRC and, further still, claim the benefits and credits they are entitled to. Concerns voiced about the formulation of tax policy were outside the scope of this project as HMRC focuses on policy maintenance and implementation. They have therefore not been included in this report.
- Aside from these measures, all stakeholders urged greater co-operation between HMRC and the voluntary and community sector. For those representing disabled people and gender issues, some advocated that HMRC work with User Led Organisations (ULOs) to co-design services to ensure they meet the needs of those with the protected characteristics of gender and disability.
- They also recommended that HMRC continues to simplify its communications to ensure they can be understood by all – particularly those with these protected characteristics.

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# 1. INTRODUCTION AND BACKGROUND

## CHAPTER SUMMARY

In light of the requirements laid down in the Equality Act 2010 and the Northern Ireland Act of 1998, HMRC commissioned Ipsos MORI to consult with stakeholder organisations and interest bodies representing BAME customers and recent migrants, disability and gender groups to provide it with a better understanding of the areas of its business that are perceived to pose greatest risk for discrimination and which offer greatest potential for promoting equality.

To do this, Ipsos MORI ran three half-day workshops with up to fifteen stakeholders at each representing BAME customers and recent migrants, gender and disability groups. This was supplemented by ten depth interviews conducted over the telephone with stakeholders who were unable to attend the workshops.

## 1.1. RESEARCH CONTEXT AND BACKGROUND

The Equality Act, which came into force on 1st October 2010, aims to simplify, strengthen and bring together previous legislation by providing a new framework designed to protect all individuals from discrimination and unfair treatment and advance equality of opportunity for everyone.

Section 149 of the Equality Act brought in a new Public Sector Duty which took effect from 6<sup>th</sup> April 2011. This duty requires HMRC to demonstrate due regard to eliminating unlawful discrimination, harassment and victimisation; advancing equality of opportunity; and fostering good relations between people who share a protected characteristic and those who do not. Protected characteristics are sex, race, age, disability, sexual orientation, transgender, religion or belief, maternity and pregnancy and marriage/civil partnership. This duty is virtually mirrored in NI law under Section 75 of the NI Act 1998.

These two pieces of legislation, while welcome, pose a number of challenges which HMRC must continue to address namely, how it ensures that the vast array of its products and services are seen as being fair and accessible for all.

In order to show compliance, HMRC needs to:

- Understand which areas of its business are most relevant to equality;
- Show that the Department understands the impact of its activities; and,
- Demonstrate that its activities do not adversely affect particular groups of people and, where this is the case, show that it is working to eliminate this.

## 1.2 RESEARCH OBJECTIVES

This research was commissioned to help HMRC understand more about its customers and how they are affected by its functions and services. The purpose of this element of the work was to:

1. Engage with representative bodies to provide HMRC with a better understanding of BAME customers and recent migrants, and those with protected disability and gender characteristics;
2. Identify areas of key concern in relation to HMRC's dealings with these customers; and,
3. Suggest the highest priority areas for HMRC to address.

### 1.3 RESEARCH METHODOLOGY AND SAMPLING

To answer these research objectives, Ipsos MORI adopted a three-stage approach.

- *Scoping stage.* A short literature review was conducted to help inform the design of the research materials and to ensure that this piece of work did not replicate that which is already known.
- *Three half day workshops:* These provided a cost effective means of engaging with a range of stakeholders and generated a dynamic discussion as experiences were shared. Each workshop concentrated on one of the three protected characteristics this research was concerned with, and comprised up to fifteen stakeholders. The majority of these stakeholders were based in London and the South East.
- *Ten telephone depth interviews.* These hour long interviews were conducted to afford those who could not attend the workshops the opportunity of contributing to this study. The interviews also allowed us to consult more widely by engaging with those organisations based across the UK, including Northern Ireland.

As mentioned above, each of the workshops focussed on one of the three protected characteristics. Further details on the structure of these workshops can be found in Appendix A. Sampling the relevant participants for the workshops was a joint process between HMRC and Ipsos MORI. Once around 60 contacts had been identified, an opt-out letter was sent to all those on the sample informing them of the research. Following on from the letter, an Ipsos MORI recruiter telephoned each contact to invite them personally to one of the workshops. If the contact was unable to attend the workshop, we endeavoured to arrange a telephone depth interview with that stakeholder instead. A full list of those organisations that participated and were willing to be identified as such can be found in Appendix B. As a thank you for their involvement, a charity donation of £75 was made to those organisations that participated in the workshops, and £40 to those that undertook a depth interview.

### 1.4 INTERVIEWS AND RESEARCH MATERIALS

When conducting the workshops and interviews, semi-structured discussion guides were used to ensure all relevant topics were covered consistently and that all key issues were explored. These discussion materials were drafted initially by Ipsos MORI and then developed iteratively with HMRC to incorporate their comments and suggestions. The workshop discussion groups also used stimulus materials and case studies to prompt targeted debate. Copies of the discussion guides can be found in Appendix C.

## 1.5 PRESENTATION OF FINDINGS

This report is structured in five sections, reflecting distinct aspects of the findings.

**Chapter 1: Introduction and Background** - provides background and details of how the study was conducted and the objectives that guided the research.

**Chapter 2: Understanding the customer groups** - provides participant profiles drawing out common characteristics of each of the three customer groups which helps explain their attitudes and behaviours.

**Chapter 3: Communicating with HMRC** - explores channels of communications (including written, telephone, online and face-to-face) and determines how each of the three protected characteristics of race, gender and disability can affect specific customers' ability to engage with these.

**Chapter 4: Interacting with HMRC's four main business areas** - discusses benefits and credits, personal tax, business tax and enforcement and compliance and how those with protected gender, race and disability characteristics relate to each.

**Chapter 5: Further considerations** – brings together the findings to provide overall conclusions from the study and considerations for HMRC.

It is important to note that the findings of this report are not statistically representative of the views of all organisations that represent specific groups of HMRC's customers. Qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people rather than conclusions from a robust, quantifiable valid sample. As far as possible we have tried to state the strength of feeling about a particular point, but due to the small number of organisations taking part in this research it has not always been possible to provide a precise or useful indication of prevalence or strength of feeling.

We have also taken care in how we refer to those with protected characteristics. When discussing issues pertaining to race and ethnicity, we have differentiated between the BAME customers and recent migrants insofar as is possible. BAME customers refers to all those who are not white British and where possible we have specified the country of origin of the recent migrants referred to. Reflecting the language used by the organisations themselves and the literature produced by them, we have referred to mental health problems rather than conditions. In contrast, and again following the lead of the organisations we engaged with, we have referred to sight/hearing/mobility impairments.

## 2. UNDERSTANDING THE CUSTOMER GROUPS

### CHAPTER SUMMARY

This chapter outlines the common attributes that stakeholders reported their customers with protected characteristics typically shared.

- Stakeholders reported that some of their BAME customers are often dependent on a range of benefits yet faced challenges claiming these due to language difficulties. However, they were often believed to be well networked in their community so able to access informal help and support.
- Their disabled customers were described as often being reliant on benefits, yet the ease with which they could claim these depended on the nature of their disability. Those that found it challenging typically had to rely on third party assistance to access what they were entitled to.
- Stakeholders discussed how their female customers typically live on low incomes. They also mentioned that, for couples, it is often the man that takes responsibility for the household bank accounts and dealing with the official paperwork. This can result in household benefits not always reaching the intended recipients.

In this section we will describe the common attributes which can be shared by those customers who have protected gender, ethnicity and disability characteristics as reported to us by those stakeholders who represent them. This is important contextual information and helps explain their attitudes to and relationship with HMRC. Before doing this, however, an important point made strongly by many participants is that *all* customers potentially face problems when interacting with HMRC due to the complexity of its work. However, there was a sense that these problems can be exacerbated for some customers with protected gender, ethnicity and disability characteristics that they engaged with, for the reasons outlined throughout the remainder of this section.

Furthermore, it should be noted that due to the nature of these stakeholders' line of work, they are far more likely to engage with customers when they experience problems with HMRC, rather than when they are dealing with HMRC successfully. Though they tried to pull out examples of best practice as and when it was possible for them to do so, their experiences mean they are more likely to highlight problems in interacting with HMRC.

### 2.1 PARTICIPANT PROFILES

Stakeholders spoke at length about the experiences and behaviours of the people with protected gender, race and disability characteristics we were researching. It is useful to explore these as understanding these common characteristics helps, in part, explain their attitudes in relation to HMRC as described in the rest of this report.

### 2.1.1 BAME CUSTOMERS AND RECENT MIGRANTS

Stakeholders participating in the research most commonly came into contact with recent migrants from both Europe and further afield, first generation Asian immigrants and the Somali community. They engaged with them on a range of issues, predominantly those involving residency and visa requirements, housing, employment, benefits and debt. Of these, the most pressing matters were those which related to their residency in the UK; such matters were treated as a priority, often at the expense of dealing with other important issues.

More generally, both BAME customers and recent migrants were often thought to have low household incomes and were believed to rely heavily on tax credits and other forms of state financial support such as Housing Benefit. For recent or first generation migrants, poor levels of spoken and written English could make engaging with public services challenging. This was compounded by the fact that they sometimes had literacy issues in their own language as well.

BAME customers however were often thought to be well networked within their community, and in receipt of practical and emotional support from community groups and places of worship. These networks were seen to be beneficial as they allowed them to discuss their difficulties in dealing with government with others from their community who were, perhaps, better qualified than they were to handle these kinds of administrative requirements. However, this could propagate the spread of *misinformation* and, furthermore, meant that such customers were denied privacy when sorting out personal matters.

These strong community ties were also thought to reinforce common cultural norms and beliefs. For instance, precisely because some BAME customers' communities were so strong, there was a stigma attached to relying on government for help and support. The prevailing attitude in these circumstances was that any financial assistance should come from family and friends and so the take-up of the benefits and credits these customers were entitled to was negatively affected.

Taking all these points together, some BAME customers and migrants often had a very complex relationship with government and were in touch with a number of government departments at any one time. However, given that they could have poor levels of spoken and written English, these interactions were challenging and caused issues which are discussed later in this report.

### 2.1.2 DISABILITY

Stakeholders represented a range of disabled customers, including those who were deaf and/or blind, physically disabled customers, those with mental health problems and learning difficulties. Generally, these customers were described as having a low household income as their disability was often thought to negatively affect their ability to work. As a result, many were said to be reliant on state financial support and claimed Disability Living Allowance (DLA), Employment and Support Allowance (ESA) and tax credits.

Not all disabled customers were thought to claim what they were entitled to though; it was thought that those who became disabled later in life may have more difficulty in coming to terms with their condition, and so might not access the support available to

them. For those that did claim, this was believed to be more problematic for disabled customers than for the eligible claimant population as a whole as it was stated that they can frequently experience changes in circumstance (for instance, moving in and out of work dependent on their health). In turn, this was believed to make it more difficult to keep HMRC updated accordingly.

Disabled peoples' relationships with government were said to be further complicated by the nature of their disability. For physically disabled customers, it was reported that there can be issues around accessibility while for those with learning difficulties and mental health problems, the extent to which they *felt able* to engage with the information sent to them by various government departments, and to understand what was required of them, was said to vary. Stakeholders reported that this, in turn, led to some relying heavily on third party help when interacting with government. While this was helpful for many, they were not always told the correct information and this also led to a loss of privacy in their dealing with HMRC.

### 2.1.3 GENDER

Stakeholders from organisations championing gender issues described a range of customers but particularly focussed on elderly females, lone parents, migrant women and victims of domestic violence.

Stakeholders discussed how these kinds of women in particular are more likely to be: on low incomes (therefore relying on state financial help and support including via the tax credits system); in vulnerable part-time work or having to take time off to care for their family (which could affect NI contributions); and, in poverty in retirement.

Complicating this further, a few stakeholders suggested that, for couples, it tends to be the man in the household who takes the lead on interacting with government and has responsibility for holding and administering the family's bank accounts. Where this was thought to be problematic was when benefits designed for the *family* (such as Child Benefit) are paid into this same account meaning that the intended recipients of the award do not always feel the positive impact of them.

This traditional balance of responsibilities was also thought to cause problems when relationships break down. Stakeholders spoke of how, after a household break-up, some women can be in a very vulnerable position financially as, for example, they have not always had responsibility for completing official paperwork or managing tax credit claims. It was considered that for these women, this lack of experience (and with it confidence) could, in turn, lead to errors when claiming their award.

*If you split up with somebody, then there's always this time lag before you're eligible for a new claim. This disproportionately affects women as, broadly speaking, they usually end up with responsibility for the children. They're also doing all the paperwork and the childcare by themselves.*

HMRC Stakeholder, Gender Depth Interview

Finally, there was a prevailing sense that gender issues have, to an extent, dropped off the agenda because conventional opinion is that, broadly, there is equality. It was thought, however, that the result of this is that there has been a real lack of progression

in recent years in promoting women's issues and in understanding how gender can affect experiences.

*There is a real lack of any kind of culture of understanding what gender means.  
There is one set of rules and it means a different impact for men and women.*

HMRC Stakeholder, Gender Workshop

### 3. COMMUNICATING WITH HMRC

#### CHAPTER SUMMARY

This section of the report outlines stakeholders' views on how easily their customers can communicate with HMRC using the four main communication channels: written communications, telephone helplines, online services and face-to-face methods.

- Written communications were often described as inaccessible, particularly for BAME customers and recent migrants with English as a second language, dyslexic people or those with sight impairments. Examples of good practice were given though; stakeholders noted the increasing use of diagrams in HMRC's leaflets which were thought to help break up the text.
- Issues with telephone communications centred around the high cost of calling particularly from mobiles and the difficulties faced by those with hearing impairments or those who had English as a second language. However, telephone communications were thought to be convenient – particularly for women with busy lives.
- Stakeholders' main concern with online communications was that they felt some of those with protected ethnicity, gender and disability characteristics were less likely to have access to the internet. However, it was a welcome tool for those with hearing impairments or mental health problems.
- Face-to-face communications were praised by stakeholders for their effectiveness. However, there were concerns around the accessibility of enquiry centres for some women and disabled people while those with English as a second language were believed to find it hard to book appointments with interpreters.

This section of the report examines the four main channels of communication used to contact HMRC (written, telephone, online and face-to-face) and how customers' protected race, gender and disability characteristics affected their experience of each of these. Again, stakeholders mentioned that *all* customers could, potentially, face challenges when trying to contact HMRC. However, there was a sense that these could be felt more keenly by some of those customers with protected race, gender and disability characteristics that the stakeholders represented.

#### 3.1 WRITTEN COMMUNICATIONS

All those we engaged with, regardless of who they were representing, had experience of using or dealing with HMRC's written communications on behalf of their customers. When discussing this matter, we focussed on the forms provided by HMRC (such as Self Assessment and tax credit claims forms), the leaflets explaining HMRC's products and services and letters sent by HMRC to its customers.

### 3.1.1. BAME CUSTOMERS AND RECENT MIGRANTS

The main criticism made by some stakeholders representing BAME customers and recent migrants in relation to HMRC's written communications was that they perceived them as being inaccessible to those that did not have English as their first language. While a few recognised that it was possible to request materials in another language, stakeholders sometimes thought this was not advertised widely enough.

Because of this, stakeholders reported that some of their BAME customers and recent migrants sought help and support when reading HMRC's written materials from friends, family members or others within their community. However, it was thought that this increased the potential for misinformation being propagated which could, in turn, lead to errors.

Stakeholders suggested that even for some BAME customers who can speak and read English it can be difficult to understand what is being communicated. Stakeholders perceived that this was because some of HMRC's written materials are not written using 'Plain English'. While it was acknowledged that this could be an issue for customers more generally, they thought that those from different BAME groups could be *more likely* to misinterpret the communications or attach different interpretations to the language used potentially resulting in errors.

*It's the language. People try to understand, but have real difficulties in comprehending it.*

HMRC Stakeholder, Race and ethnicity Workshop

A few mentioned that they thought that HMRC's written communications are not sufficiently different to those sent out by other government departments. They felt that this could be a particular issue for recent migrants who may be dealing with a number of government departments as they settle into their life in the UK. They stated that as these letters and forms looked similar to other official correspondence, their customers could assume that some of the letters they had received were duplicates. It was thought that, as a result, they may inadvertently ignore key documents from HMRC.

Linked in with this, a few stakeholders spoke of how if particular BAME customers or recent migrants had a complex relationship with *parts* of government (for instance if they were in dispute with the Home Office over their visa) then this would affect how they dealt with *all* of government. They reported that, at worst, this could lead to their customers ignoring all official correspondence to try and avoid the issues they had which, in turn, would mean they failed to manage their relationship with HMRC.

### 3.1.2 DISABILITY

Those representing dyslexic people and customers with learning difficulties mentioned that HMRC's written materials can present a number of challenges to many of their customers. The font size was cited as being too small and, in addition, the text was not thought to be spaced out enough making it difficult for some people to read. This was a criticism echoed by those representing partially sighted people, who felt that the text offering access to Braille or large print was in itself in too small a font size – and not likely to be read by those for whom it was intended. As such, some stakeholders

suggested that HMRC could make greater use of the 'easy read' format as DWP is believed to have done.

Stakeholders also suggested that customers with medical conditions or mental health problems could face difficulties in engaging with HMRC's written materials in a timely manner. For instance, stakeholders mentioned how, if their customers were experiencing a depressive episode or were undergoing a period of extensive hospital treatment, they either may not be in the home to receive mail or, if they are, dealing with written correspondence may be low down on the list of their priorities. Thus, these customers may end up not meeting their obligations to HMRC.

A further issue highlighted was when disabled customers rely on carers or other family members for help and assistance in dealing with their correspondence from HMRC. They mentioned that this can be problematic as the carer is the gatekeeper of the information and they pass on what *they* think is important and what *they* think it means. As a result, the disabled person's ability to comply with what is being asked of them by HMRC can depend on the carer's level of comprehension.

*We had a situation where one of my clients who had sight loss was getting their child to read their letters.*

HMRC Stakeholder, Disability Workshop

Positives were mentioned though, and there was a sense among some of the stakeholders we engaged with that HMRC has made efforts to improve its written communications. The inclusion of pictures and diagrams in the tax credits information booklet was mentioned as an example of this, as they were thought to break up the text and make the document more accessible. Additionally, the guide to Self Assessment was also praised and held up as being an example of good practice. Stakeholders spoke of how the colour scheme would be easy for dyslexic people to use, while the font (which is a sans serif) is more readable. Other inclusions, such as a glossary, were thought to make the document much more accessible.

*The Self Assessment one, is in sans serif. It's quite clear. The colours are contrasting. And it explains the terms by including definitions like "what is a company"?*

HMRC Stakeholder, Disability Workshop

### 3.1.3 GENDER

A few stakeholders representing specific women's groups and issues around gender equality spoke of how the documents could be seen as being designed with men in mind rather than women. As evidence, they mentioned that the colours used could be construed as being more masculine in nature (bold and dark) and that the language could be interpreted as fairly aggressive in places. The result of this is not that the communications *cannot* be read or understood by women but more that they convey a sense of not being produced with women in mind.

Secondly, some stakeholders also reported that it is important to *understand the context* in which some of HMRC's written communications, particularly around benefits and credits, are received by women. To illustrate, stakeholders mentioned how leaflets and

application forms for Child Benefit and Child Tax Credit are included in the 'Bounty Pack' that women receive from the midwife. However, firstly, the information can be lost amid all the other promotional materials women are provided with and secondly, at the time they receive these materials the women in question are adjusting on having had a new baby. Consequently, it was reported that some women may find it hard to digest such information and may not necessarily fully understand what is required of them and what they are entitled to.

*What happens in the first six weeks after a woman has had a baby? They don't sleep. HMRC needs to understand when these forms are read by women.*

HMRC Stakeholder, Gender Workshop

## 3.2 TELEPHONE COMMUNICATIONS

When discussing telephone contact with HMRC, stakeholders tended to refer to their customers' experiences of using the Tax Credit Helpline as this was the service that their customers had most experience of using. Further still, a few of the stakeholders contacted the helpline on behalf of their customers so had direct experience to draw on. However, where possible, we have referenced their opinions of the other services offered as well.

### 3.2.1 BAME CUSTOMERS AND RECENT MIGRANTS

Telephone communications with HMRC were believed to be most challenging for those recent migrants who had only basic English skills, as well as for older BAME customers who had not formally learned English. Stakeholders suggested these groups might be at risk of misunderstanding instructions or information given over the phone, which could lead to errors being made. This issue was thought to be exacerbated by the fact that stakeholders did not perceived that widely publicise the possibility for BAME customers and those with English as a second language to request an interpreter.

*They should employ more BME telephone advisors. That would help give us the sense that the service is there for us, we could have sensible dialogue.*

HMRC Stakeholder, Race and ethnicity Workshop

Linked in with this, a few stakeholders mentioned that because helpline staff use scripts, BAME customers and recent migrants can find it difficult to forge a personal connection with them. It was thought that this would make it less likely that they ask questions or seek clarifications. A minority thought that this issue could be reinforced by call centre staff with strong UK regional accents who, stakeholders thought, may be more easily misunderstood by those with English as a second language.

Stakeholders also mentioned that some BAME customers and recent migrants may be unwilling to proactively ask for help and advice if they lacked English skills. They mentioned that customers in these circumstances may be worried that they would be misunderstood by call centre staff or would not have the vocabulary needed to put their query into words. As a result, some of these customers were thought to lack the confidence needed to ask HMRC's helpline staff the questions they wanted answers to.

To overcome this, it was reported that some BAME customers and recent migrants would ask a friend or family member to call HMRC on their behalf. This, however, could result in inaccuracies and misunderstandings and stakeholders also expressed concern that their customers suffered a loss of privacy when doing this. In contrast, a few stakeholders reported that the customers they represented would like the opportunity to be represented by a third party in their dealings with HMRC but given that so much personal information is required as part of standard security procedures, acting in this manner was believed to be increasingly difficult; indeed, a small number considered that it was not allowed.

Stakeholders also mentioned that some recent migrants are more likely to use Pay As You Go mobile phones. However, as HMRC helplines are not free to call from mobile phones, stakeholders were concerned that this could be an expensive undertaking for them. On top of this, a few reported that mobile phones are sometimes shared between different members in the community. Consequently, it was not always possible for them to access a phone to call HMRC when they needed to.

*Mobile phones are passed around between different people. It's difficult to use them.*

HMRC Stakeholder, Race and ethnicity Workshop

### 3.2.2 DISABILITY

Stakeholders mentioned a number of issues that some disabled customers can face when attempting to communicate with HMRC by telephone. Underpinning these was a perceived inflexibility on the part of some of HMRC's call centre staff. For instance, a few stakeholders suggested that time targets on calls meant that queries (which were often thought of as being more complex for disabled people) could not be easily resolved. The issue with call centre scripts, as discussed above, was also mentioned in this regard.

Additionally, stakeholders reported that some of their customers were frustrated by repeatedly having to explain the nature and impact of their disability to call centre staff. That it was believed that HMRC call logs are destroyed after three months was also raised as an issue by a few – particularly given the complexity of the issues that disabled customers could present HMRC with.

More specifically, stakeholders reported that customers with hearing impairments can find using HMRC's telephone services most difficult. They felt that this was because of low awareness that text-relay and textphone services are available – though some did acknowledge that the publicity on this had improved in recent years. Linked in with this, stakeholders mentioned that customers using text relay services suffered from a loss of privacy in their dealings with HMRC.

### 3.2.3 GENDER

Stakeholders generally thought that the telephone service was generally well suited to women; it allowed them to discuss their issues with HMRC at a time that suited them.

A small number did suggest, however, that the telephone service could be more flexible in order to meet the needs of some women. The opening hours of the helpline were mentioned in this regard; a few thought that were the helpline open later then this would

allow women to call HMRC when their children had gone to bed therefore affording them the peace and quiet needed to concentrate when discussing their queries with HMRC.

*The truth is, women's lives are just more chaotic than men's. And the phone lines are only open until 6pm, but the best time to make calls is after the kids have gone to bed.*

HMRC Stakeholder, Gender Workshop

Similarly, a few stakeholders spoke about how their female customers with children of school age would wait until they had dropped their children off at school before making the call to HMRC. However, they were then thought to be making the calls at peak times and so would be more likely to face longer waits on hold.

*The time women can make calls is the time everyone else can make calls – between 10ish and 3:30pm.*

HMRC Stakeholder, Gender Workshop

A small number of stakeholders mentioned that women are more likely to use Pay As You Go mobiles; they therefore thought that trying to call HMRC could impose an additional financial burden on their customers. They believed this issue to be particularly prevalent during times of high demand, such as tax credit renewals.

*It's impossible to get through for the tax credits deadline. The kids have just broken up as well. There's been lots of publicity in the media about it – you just can't get through.*

HMRC Stakeholder, Gender Workshop

### **3.3 ONLINE COMMUNICATIONS**

Stakeholders reported that only a small number of their customers had experience of using HMRC's online services. However, the feedback provided is explored throughout the rest of this section.

#### **3.3.1 BAME CUSTOMERS AND RECENT MIGRANTS**

Stakeholders mentioned that some of their customers who were recent migrants and, more broadly, BAME customers on low incomes were unlikely to have access to the internet at home, which would make it more difficult for them to access HMRC's online services. This did not preclude them entirely from using such services however; a few stakeholders described how, if there was one person in the community with access to the internet, they would typically make this technology available to others in their family or peer group. Another alternative would be for them to use internet cafes, or the internet provided in public places such as libraries and community centres.

The problem in accessing HMRC's online services in this manner, however, was reported as being one of privacy and practicalities. A few stakeholders reported that engaging with HMRC online in a public place would open opportunities for others to see what their customers were doing, which could be an issue given the stigma attached to

claiming state financial assistance in some cultures. Additionally, looking at the practicalities, stakeholders suggested that it was difficult for their customers to take all the necessary paperwork they needed to a public place in order to fulfil their duties to HMRC online. They also mentioned the cost of accessing online services in this way.

*It's not that online isn't available, it's just that people won't go to an internet café as it looks suspicious and it costs.*

HMRC Stakeholder, Race and ethnicity Workshop

Finally, the language barrier was mentioned again. Stakeholders reported that some of their customers lacked the skills needed to search for the information they required due to their low levels of spoken and written English and would find it difficult to fulfil their obligations to HMRC via online channels.

### **3.3.2 DISABILITY**

Spontaneously, stakeholders representing disabled people spoke positively about the accessibility of HMRC's online communications. This was thought to be a particular benefit to those with mental health problems who appreciated the anonymity afforded by online channels, and those with hearing impairments.

They did, however, mention that their customers reported issues with HMRC's online communications. Key among these was thought to be the design of the site; the colours and font used were believed to be too official in appearance which, therefore, may not encourage disabled people to use the site. Stakeholders also said their customers had complained to them about the limited tailoring of the content, and felt the search engine was poor, making it difficult for disabled people to find the precise information they were looking for. This was believed to be more of an issue for disabled people as it was thought that some disabled people may have more specific queries than the general public as a whole, for instance on VAT exemptions, and that the information on such matters may not be as clearly signposted.

The website was perceived to be most challenging to use for those with sight impairments, especially as it was reported as being incompatible with reading technology. Other stakeholders noted that HRMC does not host or advertise a British Sign Language version of their information online.

Regarding online filing, a few stakeholders reported that dyslexic people and those with learning difficulties can find remembering the passwords and PINs required to fulfil HMRC's security requirements very challenging. Linked in with this, they felt these customers would prefer to be able to re-set passwords to something they were more familiar with.

Stakeholders also reported that some disabled customers, particularly those with mental health problems or learning difficulties appreciate the reassurance that comes from having a hard copy of any paperwork sent to HMRC. However, they mentioned that customers perceive that the site does not allow one to print or save documents in some areas which can dissuade some from using HMRC's online services.

*We would like it on a piece of paper. Just in case...*

HMRC Stakeholder, Disability Workshop

### **3.3.3 GENDER**

Some stakeholders suggested that the layout of HMRC's website has improved a great deal in recent years and now reflects the realities of women's lives in a helpful and accessible way. This was believed to be particularly useful when women were experiencing stressful changes in circumstance, such as a household break-up.

*The website has improved immeasurably...I'm directing more people to the HMRC website now. They have presented the information in a logical way. It presents information in a way that is relevant to people's real life problems...things like if you split up with a partner, what can you do.*

HMRC Stakeholder, Gender Depth Interview

However, stakeholders mentioned that women are more likely to be digitally excluded than men. This, therefore, leaves women facing the same issues as those mentioned in the section on BAME customers and migrants: to access HMRC's online services they would have to do so in a public place which affects both their privacy and can be logistically difficult.

## **3.4 FACE-TO-FACE COMMUNICATIONS**

### **3.4.1 BAME CUSTOMERS AND RECENT MIGRANTS**

Most commonly, stakeholders mentioned that many of their BAME customers were unaware that they could make an appointment to see someone face-to-face and could also use the services of an interpreter. Even for those that did know they could do this, stakeholders reported that it could be difficult for them to secure an appointment (particularly when an interpreter was required) and, because of this, they did not always receive the help and support they needed within the timeframe available.

However, for those that did make use of this facility the feedback was broadly positive. Stakeholders mentioned that the face-to-face appointments helped to offer reassurance to often vulnerable customers and also provided them with the confidence they needed to ask questions on issues of which they were unsure.

### **3.4.2 DISABILITY**

Generally, stakeholders tended to be critical when discussing HMRC's face-to-face communications. For instance, they spoke of the difficulties some of their disabled customers faced when trying to make appointments to see a member of HMRC staff at their home if they could not physically get to an enquiry centre.

*You'll only get a face-to-face visit if it suits them (HMRC).*

HMRC Stakeholder, Disability Workshop

Of those that did manage to secure an appointment for a home visit, a few stakeholders mentioned how their customers reported that HMRC staff did not always turn up at the allotted time. Furthermore, there were a few instances reported in which HMRC staff did turn up, though not necessarily with the provision to ensure that the visit was fruitful; for instance, some reported how even though their customer was promised the presence of the BSL interpreter, this was not always provided for them.

Stakeholders also discussed the face-to-face visits made by inspectors if, for instance a tax credit overpayment was outstanding. While they acknowledged that some found it useful to discuss their overpayment with a staff member, those that were more vulnerable construed such a visit as unnecessary harassment. This was believed to be particularly true of those with mental health problems.

### **3.4.3 GENDER**

The face-to-face communications services were generally reported as being inaccessible for some women. For instance, stakeholders reported that women who combine work with caring for children find it difficult to meet the demands of their busy lives while also finding time to secure an appointment at one of HMRC's enquiry centres.

Furthermore, a few suggested that women are far more likely to have to rely on public transport rather than having their own car. As such, they mentioned that, depending on local transport provision, it may be more difficult for them to make the most of the opportunities available to them to contact HMRC face-to-face.

## 4. INTERACTING WITH HMRC'S FOUR BUSINESS AREAS

This section of the report examines how those with protected characteristics engage with HMRC's four main areas of business: benefits and credits; personal tax; business tax; and, enforcement and compliance.

- Benefits and credits were seen as a vitally important part of the income of disabled people, low income recent migrants, and working mothers. However, take-up was believed to be low among certain BAME groups due to there being a stigma attached to claiming government financial support.
- Personal tax obligations were believed to be challenging for some BAME customers and recent migrants to understand due to the language barrier. Cultural barriers were also raised by some; for instance, a few stakeholders suggested that certain BAME groups might not understand the importance of keeping receipts. Those representing disabled customers also suggested that personal tax issues would become more prevalent for disabled people given the move towards personalised budgets for care.
- In relation to business tax, stakeholders representing disabled people suggested their customers were not always aware of there being exemptions on the equipment they needed to manage their disability. Womens' groups also discussed how VAT could be perceived as regressive in relation to women.
- Stakeholders spoke most negatively about HMRC's enforcement and compliance activities which were often thought to be impersonal and inflexible.

In this section of the report we examine HMRC's business in relation to four main areas: benefits and credits (such as Child Benefit and Tax Credits); personal tax; business tax; and, enforcement and compliance.

### 4.1 BENEFITS AND CREDITS

It was on the issue of benefits and credits that stakeholders had more regular involvement and thus most experience. Broadly, there was a strong sense in all three workshops that these benefits and credits were of vital importance to many of those with protected gender, race and disability characteristics who were often believed to be living on lower incomes. Stakeholders also appreciated the help and support those working in the TCO gave customers, suggesting they helped signpost them towards other forms of help and support.

*They're often seen as a passport to free school meals.*

HMRC Stakeholder, Race & Ethnicity Workshop

However, though the help and support provided by HMRC's benefits and credits was greatly appreciated, two common issues across all three workshops were raised. Firstly, all stakeholders were concerned at the level of paperwork involved in applying for tax credits and thought this could cause problems for some recent migrants, BAME

customers who have English as a second language, those with sight impairments and those with learning difficulties. Secondly, needing to update HMRC with changes of circumstances was also seen to be problematic by stakeholders. While they understood the importance of doing this, they believed it was often difficult for some of their customers to meet their obligations to HMRC particularly when their circumstances varied so often.

Further still, stakeholders from Northern Ireland perceived that it was increasingly difficult for them to communicate the needs of their customers with protected race, gender and disability characteristics in relation to benefits and credits to HMRC. They stated that since the Belfast TCO had closed down and moved to the north of England there had been significantly less frequent engagement between key representative stakeholders in Northern Ireland and HMRC. Linked in with this, there was also a concern that important meetings were now being held in London which made it very difficult for stakeholders to attend. This meant that they felt as though their views and experiences were not always taken into account and, as such, their customers' needs potentially marginalised.

However, there were also a number of specific issues raised and these are discussed in the following section.

#### 4.1.1 BAME CUSTOMERS AND MIGRANTS

Stakeholders believed that some BAME customers and recent migrants would be less likely to apply for and take up HMRC's benefits and credits for three main reasons:

- Low awareness of the benefits and credits and the eligibility criteria for them;
- Negative reports in the media regarding 'scrounging foreigners' that dissuaded recent migrants from applying for them; and,
- Reluctance to take state benefits based on cultural associations with claiming financial support.

Stakeholders described how some BAME customers and recent migrants have countries of origin which have a very different approach to welfare. In particular, customers from Pakistani backgrounds were described by stakeholders as amongst the 'biggest under-claimers', because some of these customers considered that family support should take precedence over that provided by the state.

*Some people are reluctant to claim. They see welfare as a form of charity.*

HMRC Stakeholder, Race and ethnicity Workshop

*Child Tax Credit, Child Benefit...people see it as meaning that you can't take care of your kids.*

HMRC Stakeholder, Race and ethnicity Workshop

Recent migrants from Eastern Europe were mentioned as being particularly reluctant to provide and share a lot of personal detail and information about their lifestyles. Stakeholders suggested that this was because they feared that it may be used against them in some way, and were unsure about why so much information was required. This

was believed by stakeholders to be a legacy of living under Communist rule – or at least of hearing stories about it from others. They suggested that this made these customers less likely to want to pursue lengthy applications for that which they were entitled to.

*Within the Polish community there is a huge amount of distrust towards government. They don't want people to know their business so there's an unwillingness to divulge these issues.*

HMRC Stakeholder, Race and ethnicity Workshop

Another issue raised by a few stakeholders was regarding the impact that applying for and claiming benefits may have on immigration or asylum status, particularly for those new to the country, who were not entirely clear on their official status.

There was also an issue with a small number of BAME customers being able to prove their identity. Stakeholders stated that it was not uncommon for BAME customers to have a number of 'official' documents with differing dates of births. Some were thought to not even know their 'real' date of birth, and as a result, struggled to be officially recognised by the authorities in the UK.

*Some don't have a birth certificate, and this can delay when they receive benefits.*

HMRC Stakeholder, Race and ethnicity Depth Interview

From discussions with stakeholders in Northern Ireland, it was felt that migrant workers, particularly those from the A8 accession states were at a disadvantage due to the seasonal nature of a lot of the work they were engaged in. Given that these customers were often regularly moving in and out of work, stakeholders suggested it was hard for them to update HMRC with these regular changes in circumstances which could affect their WTC and CTC award.

#### **4.1.2 DISABILITY**

The money received through HMRC's system of benefits and credits was an appreciated and welcome income stream for many disabled customers. However, due to sight impairments and learning difficulties and, more generally, the stress of coping with living with a disability, it was suggested that some disabled customers may find it problematic to claim the benefits and credits they are entitled to. Given this, stakeholders mentioned that some customers relied on advocates or third-party representation to help them to claim which could carry with it expense, or a loss of privacy in their financial affairs.

Similarly, a few suggested that disabled people were more likely to experience changes of circumstance, moving in and out of work as their state of health varied. However, they were also believed to be less likely to be able to update HMRC accordingly with this information which, it was feared, could lead to overpayments.

#### **4.1.3 GENDER**

HMRC's system of benefits and credits were felt to have a hugely positive impact on child poverty rates and, as such, stakeholders were keen to stress the importance of Child Benefit, CTC, WTC and the CCE to women.

However, some stakeholders mentioned that, in some circumstances, women are more likely to be less financially literate or independent which could affect their experience of claiming this support. This was believed to be particularly true of those who had been involved in abusive relationships and those originating from cultures where men typically dominate and control household finances. In instances such as these, it was thought to be common for women not to have bank accounts or any funds in their own names – the finances being the sole domain of the man of the household. Thus, there were concerns that such benefits may not be seen by the women and, stemming from this, that the money may not be spent on the child nor the family.

Some recognised that changes had been made here which were having a positive effect. For instance, two stakeholders acknowledged that tax credits are now paid directly to the main carer in the household which they felt had increased the chances of the women receiving the money and being able to spend it as per its intended use. However, there was still some concern among a few stakeholders that in those households where the man controlled the finances, the money may still be spent on other things. They were, however, at something of a loss when asked to explain how this could be overcome other than providing women with financial literacy education to empower them – something that they recognised was outside of HMRC's remit.

The changes to the tax credits system were also cited as disproportionately affecting women. In particular, stakeholders discussed the impact of the £44,000 income threshold on female lone parents. It was suggested that as lone women are more likely to be the main carers of children than lone men then these proposed changes could be considered as being discriminatory.

Another key policy concern was the reduction of the CCE of WTC to 70% of childcare costs. This was a move that was felt to be at odds with a wider Government drive for increased employment amongst parents given that this benefit was seen as being crucial in enabling women to combine work with formal childcare. Some did mention though that while these benefits are administered and delivered by HMRC, the policies governing them are politically debated and set by HM Treasury. Thus, they were of the opinion that these matters were outside of HMRC's remit and responsibilities.

## **4.2 PERSONAL TAX**

Stakeholders were asked to discuss issues raised and faced by customers relating to the key personal tax areas covered by HMRC, namely Pay As You Earn (PAYE), Self Assessment (SA) and National Insurance (NI).

### **4.2.1 BAME CUSTOMERS AND RECENT MIGRANTS**

SA tax returns were seen to be most problematic for either recent migrants or BAME customers with less well developed English language skills. Stakeholders were concerned that these customers are often unable to complete the forms themselves and that, because of this, they are more likely to end up employing the services of an agent. They thought this to be unfair and suggested that BAME customers and migrants could end up effectively being financially penalised through trying to meet their obligations to HMRC.

*We expect to pay our taxes. We just don't expect to have to pay an additional cost to be able to do so.*

HMRC Stakeholder, Race and ethnicity Workshop

More broadly, some suggested that there are cultural issues to take into account that could prevent BAME customers from meeting their obligations to HMRC. For instance, a few mentioned that some BAME customers may not understand the importance of keeping receipts and thus find it hard to file their returns accurately. Again, these stakeholders assumed that the result would be that these customers would need to employ an agent to help them. Similarly, some stakeholders commented that migrants from the new EU accession states (and particularly former Communist countries) could also be wary of providing this level of detail to government.

*We don't keep records, we don't keep receipts – we don't know we have to keep them and we're not used to doing this. This means we're under pressure and we have to pay high rates for an accountant.*

HMRC Stakeholder, Race and ethnicity Workshop

The nature of the work that some BAME customers take on was also seen to cause problems in relation to the correct payment of personal tax. For instance, a few highlighted the prevalence of takeaways and restaurants in East London and stated that a high concentration of Bangladeshi work in them. However, these customers were believed to operate on an essentially freelance basis, working in whichever restaurant has the most demand on any given night. The unpredictable nature of their employment was believed to make it difficult for them to record how many hours they had actually worked and thus could lead to problems in their filing accurate SA returns. Furthermore, due to language issues, stakeholders were concerned that people in this position may also not be paying the correct amount of NI which could lead to shortfalls and difficulties later in life. This issue was also believed to apply to migrant workers from Eastern Europe who were believed to be more likely to work seasonally, often in agriculture.

*The Bangladeshi community around Brick Lane, well they are rotating between restaurants. They have lots of different jobs. But there's a high level of vulnerability there too, they don't always pay the right amount of NI so they have no entitlements.*

HMRC Stakeholder, Race and ethnicity Workshop

#### **4.2.2 DISABILITY**

Personal tax wasn't seen to have a greater impact on disabled people than it would anyone else, but stakeholders commented on some areas for concern.

In general, stakeholders mentioned how the move towards greater personalisation of care for disabled people is having a real impact in how their customers pay their personal tax. They stated that with the recent introduction of personal budgets, disabled people are paid directly for their care, and can choose to pay for carers and other staff using these funds. Stakeholders reported that some disabled people were unsure of how this affected their tax situation, and what HMRC would require them to do in future when receiving these payments.

It was believed that this could then lead to more disabled people employing the services of agents to assist them with filing their own tax returns and those of their staff. However, and as mentioned above, a few did suggest that this was akin to disabled people being financially penalised for not being able to manage their own tax affairs.

More generally, some mentioned that the communications around personal tax could be difficult for disabled people (or their carers) to understand which, in turn, could affect their ability to comply. Such matters are covered in detail in section 3.

### **4.2.3 GENDER**

Stakeholders reflected that many women and, in particular, lone female parents, can end up working in low-skilled, low-paid jobs through employment agencies. As a result of this, it was thought that they find it difficult to keep track of what tax code they are on and do not have the necessary awareness to understand how to check and query this. There was a strong sense that, because of this, often vulnerable women are more likely to pay more income tax than they are required to.

Stakeholders recognised that this could be a problem for others, particularly recent migrants who were thought to be more likely to work changeable shifts. However, stakeholders suggested that while for recent migrants it might be the language barrier that prevented them from keeping track of whether or not they were on the correct tax code, for women it was believed to be more likely to be an issue of confidence and financial awareness.

Another commonly mentioned issue for women related to their National Insurance Contributions (NICs). Stakeholders stated that because women are more likely to have taken time off work to raise children, they would be more likely to have a shortfall in NICs. Stakeholders pointed to a number of examples where women had come to them not knowing what their balance was, or how to find out how much they had contributed, or how much they needed to contribute to ensure they received a state pension.

## **4.3 BUSINESS TAX**

Stakeholders discussed the impact of HMRC's main products in relation to business tax: Value Added Tax (VAT), Corporation Tax and Employees' National Insurance. Whilst stakeholders were able to discuss a range of issues concerning this area, it was felt to be the area of HMRC's business that was least frequently encountered by stakeholders representing those customers with protected gender, race and disability characteristics that we engaged with as part of this research.

### **4.3.1 BAME CUSTOMERS AND MIGRANTS**

Stakeholders felt that BAME customers were very likely to set up their own business, citing a wide range of preferred professions, such as construction (as sole traders), hairdressing, beauty, cleaning and catering. However, while compared to personal tax or benefits and credits, the impact of business tax on this group was much lower, some concerns were mentioned.

One particular issue raised by some stakeholders concerned the double-entry booking keeping format that was required for business tax returns. This was considered to be a new approach for some BAME customers and was believed to cause problems in them accurately filing their returns.

There were also cultural issues that were cited as making it difficult for a minority of BAME customers to meet their business tax obligations to HMRC. Stakeholders thought that this was because these customers did not see what they did as a 'business'. This was particularly thought to be the case for those running very small scale micro-businesses which were often an extension of something that the individual enjoyed doing in their spare time (for instance, beauty). As these individuals did not feel that they were running a business, they were less likely to complete their business tax returns.

### 4.3.2 DISABILITY

Some stakeholders mentioned that disabled customers often run their own business as, this way, they can ensure that the needs they have resulting from their disability are met rather than having to rely on an employer to be flexible. The main business areas were believed to be minicab driving/switchboards, creative industries/the arts, buying and selling on the internet as well as freelance/consultancy and translation/interpreting services.

However, a few stakeholders felt that there is a lack of specific help and guidance for disabled people which can make it difficult for them to file their business returns accurately. Consequently, stakeholders suggested a 'starter pack' may be particularly helpful for these customers to ensure they can at least begin to get to grips with their responsibilities. It was suggested that, at the least, this should include a timeline showing when they needed to file their returns by, an explanation of why filing their returns on time is important, example returns and practice forms plus a list of sources of help and support they could turn to if needed.

More broadly, stakeholders discussed the VAT that is levied on equipment needed by disabled people. While stakeholders themselves knew how to ensure that the goods they bought were VAT exempt, they were less convinced that *all* disabled people understood this and thought that more publicity by HMRC could help. .

*People aren't aware – you need the exemption up front. Especially as disabled equipment tends to be more expensive – we can be talking thousands of pounds of difference here.*

HMRC Stakeholder, Disability Workshop

### 4.3.3 GENDER

Stakeholders acknowledged that some women choose to set up their own businesses, often as a means of combining employment with childcare responsibilities. These businesses were often thought to be in cleaning, catering and importation.

However, a lack of comprehension of their obligations with regard to business tax was widely cited as the biggest challenge faced by women, particularly those with little previous financial experience or those lacking in any prior financial independence. The issues raised in section 3 on communications were thought to compound these issues.

Stakeholders also discussed VAT and how it relates to women, In particular, VAT was criticised for being regressive when it came to some of the items needed by women. The example given here was that of VAT being payable on sanitary towels.

## 4.4 ENFORCEMENT AND COMPLIANCE

This area was one in which stakeholders frequently reported having to intervene on behalf of their customers, particularly with regard to tax credit overpayments. As a result of this, the stakeholder groups we engaged with had clear and strong views on this area of HMRC's work.

Stakeholders spontaneously described HMRC's approach to enforcement and compliance as;

- *Standardised* – letters were thought of as being impersonal, automated and too brief, lacking in the details of how an overpayment had occurred;
- *Alarming* – particularly for those customers on low incomes (a trait common in each of the three protected characteristics under discussion) who were often thought to rely heavily on the benefits and credits paid out by HMRC;
- *Judgemental* – there was thought to be an automatic assumption that the customer had done something wrong, whether on purpose or through their own error and that they may not get the opportunity to explain themselves; and,
- *Inflexible* – all monies were believed to have to be repaid quickly which was thought to cause financial difficulties. Compounding this, there was a sense that there was little scope for customers to negotiate the terms by which they repaid the debt.

More broadly though, there were specific issues raised in relation to all three customer groups which are explored in the rest of this section.

### 4.4.1 BAME CUSTOMERS AND RECENT MIGRANTS

As some BAME customers or recent migrants may not have English as a first language, some stakeholders suggested that they may find it more difficult to meet their obligations to HMRC and, therefore, would be more likely to be subject to enforcement and compliance activities.

However, the very issue that could make these customers more likely to experience such actions would also prevent them from engaging with the steps HMRC takes to recoup the money. For instance, stakeholders described how some BAME customers may not be able to comprehend what an initial letter was asking them to do which could lead to them ignoring it. They also suggested that follow-up phone calls may not get through to the intended recipient particularly as, in some communities, mobile phones are shared between a number of people with numbers frequently changed.

Another issue was that due to the cultural stigma attached to claiming state financial assistance, some customers from certain communities may not feel able to ask for help and support in organising how best to pay back any tax credit overpayments. Stakeholders stated that the issue with this was that problems did not get resolved quickly, and customers may then be more likely to experience some of the later stage interventions which were, understandably, stressful for them.

#### 4.4.2 DISABILITY

There was a strong sense from stakeholders representing disabled customers that some disabled customers would be more likely to be on the receiving end of enforcement action, because they have additional challenges to face in staying compliant. For instance, they reported that if they were experiencing an episode of ill health as a result of their disability then it may not be a priority for them to update HMRC with their changes in circumstances.

Some stakeholders also suggested that disabled customers may find it challenging to engage with HMRC's compliance activities. For instance, it was believed that those with learning difficulties, dyslexic people, or those with visual impairments could find it difficult to comprehend the seriousness of the written communications, and also the next steps they needed to take to resolve the overpayment.

The enforcement and compliance action taken by HMRC was also considered by some as being potentially very stressful for disabled customers. Stakeholders described how some of their customers face a daily struggle to cope with their situation; emotionally, financially and practically. Given this, the idea of a HMRC field force officer visiting their home to recover an overpayment, or to inspect their tax records could be seen as being very distressing. Indeed, such occurrences were often the trigger for disabled people to contact stakeholder organisations such as the ones who took part in this research which, in part, explains their negativity towards this aspect of HMRC's work.

#### 4.4.3 GENDER

Stakeholders representing gender issues also believed that some women are more likely to be more at risk of experiencing enforcement and compliance activities instigated by HMRC. Stakeholders felt that this was particularly true of female lone parents who may lack the financial experience to manage their dealings with HMRC appropriately. However, they were largely believed to be no less able than the rest of the population in engaging with the letters, phone calls and visits that HMRC employs as part of its approach (save for those issues outlined in section 3).

In spite of this though, stakeholders suggested that there are issues due to the way in which women respond to paying back any overpayments. They suggested that women are keen to ensure that their family is not worse off as a result of them having to pay back a debt. Therefore, they will sacrifice spending on themselves to order to compensate. Consequently, they may disproportionately feel the burden of any *household* debt.

## 5. FURTHER CONSIDERATIONS FOR HMRC

### CHAPTER SUMMARY

This section of the report discusses two key considerations for HMRC suggested by stakeholders:

- All stakeholders urged greater co-operation between HMRC and the voluntary and community sector. For those representing disabled people and gender issues, some advocated that HMRC works with User Led Organisations to co-design services to ensure they meet the needs of those with protected characteristics.
- They also recommended that HMRC continues to simplify its communications to ensure they can be understood by all – particularly those with protected race, gender and disability characteristics.

### 5.1 CONSIDERATIONS FOR HMRC'S MAIN BUSINESS AREAS

This research highlights how, for those with protected race, gender and disability characteristics, there can be issues when interacting with HMRC's four main business areas *precisely because of the nature of their protected characteristics*.

Regarding **benefits and credits**, the business area on which stakeholders were able to speak in most detail, a number of concerns were raised in relation to BAME customers and recent migrants. Prominent among these was the risk that take-up rates were lower when set against the eligible population as a whole due to there being a cultural stigma to claiming state financial support within some communities. Therefore, a few stakeholders suggested that targeted communications to specific groups (perhaps via community leaders) would be an effective means of raising awareness of the help and support they were eligible for, and that claiming it is endorsed by those from their community.

In relation to disabled customers' ability to claim the benefits and credit they are entitled to, stakeholders were less concerned with take-up but, moreover, their experience of claim management. In particular, stakeholders mentioned how disabled customers are more likely to experience frequent changes in circumstance due to periods of ill health which may, for example, require them to move in and out of work. However, depending on the nature of their disability, it may prove problematic for them to report this change to HMRC thus potentially meaning that they incur an overpayment. To help here, stakeholders mentioned it might be useful for HMRC to have an in-depth conversation with disabled customers at the time they make their claim to help the Department understand how their disability might affect them in the future. Following on from this, it was believed that it would be useful for HMRC staff to have the flexibility to consider any impact a customer's disability may have on their ability to meet their obligations by allowing them a 'grace period' in which to report any relevant changes.

Aside from recent tax credits policy changes which were thought to adversely affect women, stakeholders believed the most pressing matter for women was one of empowerment. There was a strong sense that specific groups of women (such as those from backgrounds where the man of the household usually controls the finances, or from abusive relationships) may be neither financially literate nor confident enough to claim the support that they are entitled to or ensure the money received via tax credits is spent on its intended purpose. To combat this, a few stakeholders suggested that targeted communications tailored to women could help, as long as this was accompanied by a wider programme of financial education – potentially delivered through relevant charitable groups.

When thinking about **personal tax**, some stakeholders suggested that cultural issues can prevent some specific BAME customers from meeting their obligations to HMRC as, for instance, they may not understand the importance of keeping receipts. To combat this, stakeholders again suggested that by targeting relevant community leaders it may be possible to ensure this message is filtered down.

It was also believed that personal tax will be an increasingly important issue for disabled people, particularly as the Right To Control is extended and the use of personal budgets increases. To help here, stakeholders reiterated the importance of tailored communications to inform disabled people of their obligations in relation to personal tax when in receipt of personal budgets. Further still, they urged for the involvement of User Led Organisations (ULOs) in the design of these communications - see section 5.3 for more details.

The main issue for women in relation to personal tax was believed to be their ability to check they are on the appropriate tax code given the nature of employment that they are more likely to take on (such as being employed via recruitment agencies, working part-time or multiple jobs). Again, the solution here was believed to be one of education in order to both inform women of the importance of keeping on top of this matter and enabling them to understand what they needed to check and how to change their tax code if needed.

It was on the issue of **business tax** that stakeholders typically had least experience. For BAME customers with their own business, the main issue cited was that some were unfamiliar with double-entry book-keeping. As a result, stakeholders suggested that both education (to inform them of the importance of keeping financial records in this way) and signposting (to reliable sources of help and support, including agents) might be helpful here.

For disabled people, who it was believed may set up their own business to help ensure that the conditions of their employment suit their needs, the issue of tailored communications was again raised. Stakeholders were concerned that the disabled people who choose to do this may lack prior knowledge of setting up a business and, therefore, could lack awareness of their obligations to HMRC. Starter packs were believed to be a useful means of overcoming this, but ensuring the messages contained within reach the target market was cited as being another matter. Again, working with ULOs was thought to be an effective means of helping achieve this, along with closer links with the voluntary and community sector as outlined in section 5.2.

When stakeholders discussed gender issues, the lack of awareness and lack of tailored information was again raised, with some suggesting that HMRC could think further about its communications to women about their business tax obligations. Concerns voiced about the formulation of tax policy were outside the scope of this project as HMRC focuses on policy maintenance and implementation. They have therefore not been included in this report. Furthermore, they advocated that any policy review includes consultation with groups that champion gender equality to ensure that their views can be 'designed in' to the consultation.

The final area of HMRC's business, that of **enforcement and compliance**, was one that the stakeholders we engaged with were familiar with, given that they were often asked to intervene on behalf of their customers with protected race, gender and disability characteristics in relation to such matters. Stakeholders suggested that BAME customers and recent migrants with English as a second language might be more likely to experience compliance interventions given they may find it more difficult to both understand and meet their obligations to HMRC. Making communications in other languages more accessible (through, for instance, displaying them in public places like libraries and surgeries) was mentioned as one solution here. However, mindful of the associated cost, some also suggested that engaging community leaders might be an effective means of ensuring that specific types of BAME customers are able to either meet their responsibilities to HMRC or, at the least, respond appropriately to interventions.

For disabled customers, there were concerns that those with learning difficulties or visual impairments might find it challenging to comprehend the seriousness of HMRC's written communications while others might find a face-to-face intervention particularly stressful. To overcome this, stakeholders advocated that HMRC work more closely with the voluntary and community sector and, in particular, ULOs to determine how HMRC's enforcement and compliance interventions could be tailored so that HMRC receives the money it is owed but that such activities are conducted in a manner that is sensitive to the needs of disabled customers. This issue is explored in more detail in section 5.2 below. Building on this, stakeholders also suggested that if HMRC spent additional time on the telephone with customers when they made their initial claim then staff might have a better understanding of their customers' needs and, therefore, be able to only use those interventions which would be most effective given the circumstances of the individual in question.

Finally, some stakeholders believed that women may bear more of the burden of repaying back any overpayment to HMRC as would not wish for their family to suffer. Stakeholders felt that tackling this was outside of the remit of HMRC given as it concerns decisions made in the private domain. Thus, for this situation to change, they believed there would need to be an extensive cultural shift in relation to households' financial behaviour.

## 5.2 WORKING WITH THE VOLUNTARY AND COMMUNITY SECTOR

Many of the stakeholders commented positively on the role that HMRC had played in working with the voluntary and community sector, and supporting outreach and advice programmes as they believed this was key to providing their customers with a better service. Examples of good practice here included having an HMRC advisor appear on

local radio stations to discuss tax credits and Child Benefit, and HMRC staff visiting community centres to run advice sessions.

In the current climate of spending cuts across government, stakeholders were anxious that these outreach and advice services were not reduced. Rather, to the contrary, there was a strong sense from stakeholders that the extent to which HMRC works with the voluntary and community sector should be increased so as to ensure that the services provided by HMRC meet the needs of those with protected characteristics.

However, they were keen to ensure that such relationships are based on meaningful consultation whereby the organisations they work for are genuinely involved and can make a difference. To this end, stakeholders representing disabled people in particular suggested that involving User Led Organisations (ULOs) as co-producers of HMRC's services from the outset would help ensure that any negative impacts disproportionately affecting them could be designed out. They stated that disabled people are the experts in their lives and what it is like to live them and, as such, can provide insight which, otherwise, HMRC would not benefit from. This was also endorsed by those representing gender issues.

*They need to assume that disabled people are the experts in their own lives. But instead they're too embarrassed to ask us about our condition and how it affects us. But if they did this then they would get to know how an impairment could impact on their relationship with a customer.*

HMRC Stakeholder, Disability Workshop

*They need that grass roots contact, they need to be talking to disabled people – this can all be provided by ULOs.*

HMRC Stakeholder, Disability Workshop

### 5.3 SIMPLIFICATION

The complexity of language in HMRC's communications was seen as a major barrier for a range of customers and, as such, simplification of this was seen as a priority by stakeholders. Stakeholders suggested that the first step to simplification would be to ensure that all written communications conformed to the Plain English standard, and were as clear as possible. Whilst not only helping those with lower levels of English comprehension, this was also seen as a useful standard for those customers with disabilities who ask their children to help with reading letters and forms.

*All the HMRC letters should be written in language that an eleven-year-old can understand.*

HMRC Stakeholder, Disability Workshop

Building on this, some stakeholders thought that the layout of letters could be made clearer to emphasise the key messages that the customer would need to know. The use of bold text, putting key messages in different coloured boxes and using diagrams (such as flow charts) were all mentioned in this regard.

Stakeholders recognised that HMRC has made a number of efforts in recent years to improve and simplify its communications. However, they were also keen to point out that there is still work to be done here and, furthermore, that they would be willing to work with HMRC to suggest alternations and amendments as discussed above.

## APPENDICES

## A1. WORKSHOP SCHEDULE

	<b>Workshop one</b>	<b>Workshop two</b>	<b>Workshop three</b>
<b>Subject</b>	Race and Ethnicity	Disability	Gender
<b>Location</b>	Ipsos MORI House, SE1	HM Treasury, SW1	Ipsos MORI House, SE1
<b>Date</b>	1 <sup>st</sup> March	8 <sup>th</sup> March	15 <sup>th</sup> March

## A2. LIST OF CONTRIBUTING ORGANISATIONS

Action for Blind People	Low Incomes Tax Reform Group (LITRG)
Advice UK	Mind
Asian Women's Resource Centre	National Childcare Trust
Association of Disabled Professionals (ADP)	Opportunity Now
Barnet Refugee Service	Organisation for Blind Africans and Caribbeans
Business in the Community	Plymouth and
Carers UK	Race Equality First
Central Scotland Racial Equality Council	Race Equality Foundation
Child Poverty Action Group	RNIB
Citizens Advice Bureau	Runnymede Trust
Council of Ethnic Minority Voluntary Sector Organisations	Sangam
Croydon BME Forum	Scope
Daycare Trust	Scottish Accessible Information Forum
Disability Action	SENSE
Disability Information and Advice Line (DIAL) Southend	Somerset Racial Equality Council
Employers Forum for Disability	Southwark CAB
Erb's Palsy Group	Tax Help for Older People
Fawcett Society	TaxAid
Hindu Forum of Britain	The British Dyslexia Association
Iranian and Kurdish Women's Rights Organisation	The Equality Commission for Northern Ireland
Latin American Women's Rights Service	The Law Centre
Leonard Cheshire Disability	Women's Aid
Limehouse project	Women's National Commission
Livability	Working Families