



Research report

Tax Back

Understanding reaction to and action after receiving the Tax Back mailing

**Individuals Customer Directorate
December 2010**

Tax Back***About the Individuals Customer Directorate (ICD)***

ICD is part of the Personal Tax Group in HMRC, which has responsibility for personal tax policy and operations as well as some work streams with personal and business customers.

Our role is to work with Directorates across the Department to design and deliver customer focused operating services to individual customers to make it as easy as possible for them to get their tax affairs right. We also manage HMRC cross-cutting areas that affect our customers such as the complaints strategy.

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Research requirement (background to the project)

The 2009 Budget announced a new tax back campaign to encourage recipients of Pension Credit to claim back any tax on bank or building society interest that they may have overpaid.

HMRC would write to the 3.4 million beneficiaries of Pension Credit to encourage them to claim back any overpaid tax and to register to receive interest tax free in future. The letters would include a factsheet to help people work out if they are entitled to taxback as well as telling them how to claim and register to have their interest paid tax-free in future.

'Tax back' is inherently complex for customers and HMRC were therefore concerned to ensure the information in the letter and accompanying documents was as simple and straightforward as possible, in order to maximise take-up of taxback, and to minimise the need for customers to telephone contact centres for help and advice.

HMRC therefore decided to conduct customer research to inform the design and content of the letter and factsheet. .

The key research questions for this piece of work were:

1. Were the letter and accompanying documents clear and easy to understand? Were there any particular parts of either that were confusing or unclear?
2. How could they be changed to ensure clarity and simplicity for pensioners and carers?
3. How many people would be likely to call the helpline, and what questions would they ask?

Who did the work?

Spring Research were chosen to conduct the work.

When the research took place

The fieldwork took place between 23 July and 25 September 2009

Method, Data and Tools used, Sample

Research was completed in two stages:

A *qualitative stage* to test clarity and simplicity of the communication:

- 4 x 1.5 hr group discussions with pre-task reality tests
 - Respondents were sent an example letter and factsheet and asked to record their reactions and comments.
 - Group discussions were held in the researcher's home to provide an environment in which respondents were more likely to feel relaxed and comfortable
 - These discussions explored respondents' reactions to the factsheet and letter to

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identify areas for improvement

A *quantitative stage* to identify any key areas for further improvement and to inform planning for potential call centre demand:

- 500 x 15 min telephone interviews
 - Respondents were recruited in an initial telephone call
 - Recruited individuals were sent a 'finalised dummy pack' which they were asked to read as if it had arrived with no warning
 - A final call to the respondent/ participant within approximately 48 hours discussed their reaction and likely action

Tax Back***Main Findings*****PHASE 1 – DESIGN TEST (QUAL)****General**

- This audience is generally intimidated by forms
 - *“You lose a bit of confidence when you get past middle age – when you get past 70 you need a young person helping”*
- Specifically, forms about tax cause concern that it might end up costing money or being used for purposes other than those stated
- Many people we spoke to simply wouldn't attempt a complicated form alone, and would ask for help from family, friends or other support
- At first glance, the communication was seen as confusing
 - *It starts off alright – the deeper you get the worse it gets!*
- This lack of confidence highlighted the issues around contacting this often more vulnerable section of society
- People felt that this kind of consumer consultation was useful and should take place on any communication going to their age group

The covering letter

- The covering letter was effective in helping most people understand immediately whether it was for them
 - The language was clear, the font size appropriate for those needing glasses, and the details were easily understandable
- A small number of improvements were suggested to the covering letter
 - Three killer questions that allow most people to immediately understand whether this communication is relevant to them or not
 - Placing the helpline telephone number before the website address (as many are not computer literate and prefer talking to a real person)
 - Explaining the cost of making a 0845 call (or giving a free-call number)
 - Including an average reclaimed amount was useful in encouraging people to consider making a claim

The factsheet (explaining the taxback process)

- The language in the factsheet was clear but the process was confusing. Again, a small number of improvements were identified.
 - Consistent numbering across all documents
 - A 'flow chart' to explain the process making clear when a part of the process is complete, and people can move on to the next part
“You really have to spoon feed people our age!”
 - Clarifying how many prior years can be claimed, and the process for this

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The helpsheet (to help people work out if they were due a repayment)

- Respondents found the initial draft of helpsheet confusing, and identified a number of areas that were particularly unhelpful:
 - Being asked to do any kind of calculation is immediately daunting
 - The first version of the helpsheet shown featured several calculations spread over several pages, and this caused a lot of concern
 - The marriage allowance is a major point of confusion and calculating non-savings income was found to be difficult
“Is it worth all this for one or two pounds?”
- However their comments helped us to design the second draft which addressed most of the respondents’ concerns for example;
 - The layout is clearer and the ‘box’ system shows which bits can be crossed out and which should be filled in

Other forms and notes inc. R40 claim form

- Despite its length, reactions to the R40 claim form were positive
 - The layout was clear and recognisable – back in familiar territory
 - *“You know what to fill in or cross out on this”*
 - The R40 form should be marked as such
 - The form should state more clearly the year of the claim; and explain more clearly the meaning of “claiming on behalf of someone else”, and “chargeable event/gains” and “Gift Aid”.
- Form notes were too long but fairly clear. The main suggestion for improvement was:
 - notes should be incorporated in the form itself, on a facing page with clear indications (colour coding?) on what refers to what
- It was clear when an R85 would need to be completed (for people to complete to ensure future bank/building soc interest is paid gross). On balance, respondents did not think a copy of the R85 needed to be included in this pack, provided it was clear it could be picked up from the bank, building society, ordered over the phone etc. This minimised the amount of paper and the perceived difficulty of the process.

Summary

- This part of the research helped identify how changes to the mailing pack could be made to make it simpler and clearer for customers
- Importantly, the research made clear that the mailing allowed the majority of people to decide immediately if taxback was relevant to them.
- Changes made as a result of the qualitative research phase meant the version taken into quantitative testing more closely fitted customer needs

Tax Back**PHASE 2 – PLANNING FOR CUSTOMER QUERIES (QUANT)****Respondent status**

- Of those interviewed, 76% were in receipt of Pension Credit. 21% were eligible but not yet receiving the benefit.
 - 95% were retired and 4% work while in receipt of a state pension with an income under the required threshold

General perceptions of the letter/ the pack

- Respondents were generally able to accurately identify what the letter was about
 - the majority (74%) accurately describe the subject of the letter as claiming tax/money back on interest on savings. 10% believed it to be about pension credits, and 12% were concerned that the letter was about paying more tax/charging them money
- Almost half of respondents (45%) would ignore the letter or throw it away, a fifth (19%) would complete the form, and 7% said they would call the helpline
- A further 6% would call the helpline if prompted
- Less than a quarter (22%) thought the letter applied to them, 11% were unsure and 67% didn't feel the letter applied to them.
- Of the 67% that did not believe that the letter applied to them; nearly half (41%) thought this because they didn't pay tax on their savings or had already registered to have interest paid gross. 24% of them claimed not to have any savings.
- Of the 11% that were unsure if it the letter applied to them, 21% would turn to family or friends for advice, with 16% claiming they would call the helpline to confirm if the letter was applied to them.
- Of the 22% that were sure that the letter did apply to them, 80% would use the helpsheet to confirm entitlement and, if appropriate, complete the claim form (75%)
- Overall, 47% respondents would consider claiming money which may be due to them from previous years
 - A third of those considering making a claim for previous years would need more help to understand the process with 35% of them claiming they would call the helpline
- Given the opportunity to think longer / more carefully and to have the option of a helpline repeatedly offered, the high end estimate of recipients calling the helpline would be around of 32%
- Unless there is a longer term ad campaign combined with further mailings bringing recipients repeated attention to the helpline, we do not believe that the high end scenario is likely
- Depending on the extent of any follow-up campaign, we believe the likely percentage of recipients contacting the helpline would be between 7% - 13%
- Without regular reminders, and if recipients are considering other complications such as claiming tax back on previous years, the estimate of helpline calls may be 13% of recipients

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- However, we know that respondents often over-claim under research conditions and under-act in reality, so the low end estimate is that less than 7% will call the helpline initially to see if they are eligible to claim money back on their savings

Summary

- The quantitative results demonstrate the progress that was made in the development of this mailing during the research process
- The high levels of comprehension of the mailing suggest that a large number of potential calls will be averted, as recipients will quickly be able to tell if they are eligible or not
- This research has helped HMRC ensure helpline resources are optimised to ensure customer queries are resolved quickly and successfully, whilst maintaining an efficient and cost-effective call centre.