

Ipsos MORI

# Engagement with Tax Credits among Chinese and Indian people

A study conducted for HM Revenue and Customs



Her Majesty's Revenue and Customs  
Research Report 117



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## **Acknowledgements**

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# Glossary

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BAME	Black, Asian and Minority Ethnic
CTC	Child Tax Credit
DWP	Department for Work and Pensions
ENR	Eligible Non-Recipient
HMRC	Her Majesty's Revenue and Customs
IS	Income Support
JSA	Jobseeker's Allowance
WTC	Working Tax Credit



# **1. Key messages**

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HMRC data suggest that take-up of tax credits among certain ethnic minority groups is significantly lower than for the overall population – this is particularly the case among the Chinese and Indian population. This qualitative study explored the experiences of these communities with tax credits and also investigated the factors that prevented these groups from applying for tax credits and examined possible routes to increasing take-up.

## ***Experience and perceptions of tax credits***

Tax credits were viewed positively by those claiming them in comparison to a range of other benefits and entitlement. Claimants tended to perceive tax credits as an entitlement, while eligible non-recipients (ENRs) tended to be more likely to associate it with ‘benefits’.

## ***The main barriers to Chinese and Indian people claiming tax credits***

- Lack of awareness and access to information about tax credits
- Confusion about entitlement
- Negative associations with claiming benefits
- Scepticism over whether claiming is worthwhile
- Worry about tax credits interfering with receipt of other benefits
- Language barriers to information due to limited English skills
- Negative anecdotes about tax credits

## ***Routes to improving take-up of tax credits***

For both claimants and eligible non-recipients of tax credits, the key factor suggested for increasing take-up of tax credits was **raising awareness** at an individual and community level through targeted information and greater clarity about tax credit eligibility. In terms of *how* information should be communicated, participants suggested a number of different methods:

- **Communicating via appropriate community channels** and events, such as local community radio or television; **community centres**; **community festivals and gatherings**; and
- **Working with other agencies** such as Jobcentre Plus and local Councils.

The research suggested that *how* information about tax credits was communicated was crucial to take-up among Chinese and Indian individuals. Promoting the positive aspects of tax credits (such as ‘entitlements’ rather than ‘benefits’) and providing relevant case studies for customers to benchmark against were seen as good ways to make tax credits resonate more with these groups.

## **2. Executive summary**

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The purpose of this qualitative study was to understand the experiences of applying for and claiming tax credits among those in the Chinese and Indian population as well as to explore routes to improving take-up of this financial support. The study investigated the perceptions of both tax credit claimants and those who were eligible but not currently claiming tax credits (Eligible Non-recipients or ENRs).

Tax credits were introduced in April 2003 to replace Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) with the aims of helping to support families, reducing child poverty and helping to make work pay by supplementing the income of lower earners. Tax credits take-up is high among families with children with eight in ten of those who are entitled claiming them in 2008. However take-up is lower among certain groups, such as the Chinese and Indian communities<sup>1</sup>. The aim of this research was to understand the reasons for the lower take-up rates among Chinese and Indian individuals and investigate ways to encourage take-up, where appropriate.

To explore any perceptions, motivations and barriers that might exist, a series of in-depth interviews and group discussions were carried out among current claimants and those who were eligible for tax credits but not claiming from the Indian and Chinese population. In total, 57 interviews and two discussion groups were carried out in London, Leicester and Birmingham.

### ***Motivations and barriers to claiming tax credits***

Claimants had a variety of motivations for applying for tax credits, but two key groups emerged: those who claimed out of need with tax credits providing *essential income* and those who saw tax credits as *a way to top-up their income* or as a bonus.

### **How claimants find out about tax credits**

There was a range of routes by which claimants had heard about tax credits.

- *Word-of-mouth* was by far the most commonly-cited channel and this was particularly relied on by older groups and those with poor English skills. Even where individuals had initially heard about tax credits elsewhere, they often used personal networks to verify information and gain reassurances over whether to claim. In particular, the research suggested that the Indian community used networks for this type of information, and that the Chinese community was both more dispersed and less open to discussing personal financial matters outside the family.

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<sup>1</sup> Child Tax Credit and Working Tax Credit Take-up by Ethnic Group 2004-05  
<http://www.hmrc.gov.uk/stats/personal-tax-credits/takeup-ethnicgroup0405.pdf>

- Claimants had also turned to other *official sources* for information, such as their local Jobcentre Plus or the HMRC website. There was, however, some confusion over which department was in charge of each benefit and claimants often felt confused about the specifics of eligibility criteria.

### **Barriers to claiming tax credits**

- *Lack of awareness* was the most common reason individuals had not applied for tax credits and awareness was particularly low for Chinese individuals.
- There was also a great deal of *confusion about entitlement* to tax credits, with some thinking tax credits were only for people *not* in work or only for those with children. Certain individuals were also deterred by *negative associations* with claiming benefits and state assistance generally. Notions of dependency, wariness of ‘the state’ and a reluctance to interact with HMRC (or other departments) were all ways that these associations were expressed. This barrier was often closely linked with whether individuals considered tax credits as a ‘benefit’ rather than an ‘entitlement’ (see below). Individuals tended to hold fewer negative associations with Child Benefit, for instance, partly because it is not means-tested. This barrier existed for both Chinese and Indian participants, but was particularly an issue in the Chinese community.
- Additionally, some were concerned about the *stigma* associated with claiming tax credits, particularly WTC, where there is a concern that claimants are perceived as those who are not being paid enough by their employers.
- Some individuals were also sceptical about whether claiming would be *worthwhile*, with the viewpoint being that a potentially small award amount would not justify what may be a burdensome application process. Others were concerned about the possible impacts of claiming on other benefits.
- *Language* (specifically having limited English) also had an impact on whether individuals would apply for tax credits, notably as it stood in the way of accessing reliable information. This was often the case for Chinese individuals (who had less of a personal network to rely on) but even those in the Indian population who had many contacts sometimes received misinformation which deterred them from applying.
- There was also mention of *negative experiences* that others had encountered. Stories of overpayments, mainly from friends, and subsequent difficulties in paying back HMRC represented a significant disincentive to apply for those on the lowest incomes.

- For some, Child Tax Credit (CTC) was perceived more positively (and carried less stigma than Working Tax Credit (WTC) as it was based on having children rather than an assessment of low household income.

## ***Overall experience and perceptions of tax credits***

In comparison to a range of other benefits and entitlements, tax credits were viewed positively. Claimants tended to see tax credits as an entitlement, while some ENRs associated tax credits with ‘benefits’, being seen in a similar light to Jobseeker’s Allowance (JSA) and Income Support (IS), for instance.

## ***Overall understanding of tax credits***

Tax credits claimants thought the application process was straightforward and streamlined, especially in comparison to other benefits. People’s understanding of tax credits themselves, however, was patchy and tended to be informed by their own case or claimants they knew. In particular, it was thought that greater clarity could be given about the eligibility criteria and possible award amounts.

## ***Increasing take-up of tax credits***

Both claimants and ENRs had useful suggestions about how to improve take-up among the general public at large, and their ethnic communities in particular. Throughout the research, the key factor in increasing take-up of tax credits was **raising awareness** through targeted information and greater clarity about eligibility criteria. Participants felt that information needed to be communicated through appropriate channels and tailored to the needs of different groups, for instance by offering it in different languages.

In terms of how information should be communicated to BAME groups, participants offered a number of different methods, which they felt would be effective. Specifically:

- **Communicating via appropriate community channels and events**, such as local community radio or television; **community festivals and gatherings** (such as the Vaisakhi festival in Birmingham or other trusted places like the Chinese Chamber of Commerce); **places of worship and Community centres**
- **Working with other agencies** such as organisations like Jobcentre Plus and local Councils who were commonly associated with assistance and benefits, and could be used more effectively to convey accurate information.

Participants also suggested that *how* tax credits were communicated is crucial to take-up. Promoting the positive aspects of tax credits (such as their being ‘entitlements’ rather than ‘benefits’) and providing applicable case studies for customers to benchmark against were seen as good ways to make tax credits resonate more with these groups.

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## **3. Introduction**

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This report contains the findings from qualitative research among members of the Chinese and Indian population which explored experiences of applying for and claiming tax credits as well as the barriers to take-up. The study investigated the perceptions of both tax credit claimants and those who were eligible to tax credits but did not claim them. This research was undertaken by the Ipsos MORI Social Research Institute on behalf of Her Majesty's Revenue and Customs (HMRC).

### **3.1 Research Background**

In April 2003, a new tax credits scheme was created to replace Working Families' Tax Credit (WFTC) and Disabled Persons Tax Credit (DPTC). The updated system had two components, Working Tax Credit (WTC) and Child Tax Credit (CTC). The system aimed to support families and reduce child poverty through CTC and to provide a work incentive and reduce poverty among low earners through WTC<sup>2</sup>.

In April 2008, there were around six million recipient families, of which 5.7 million families were receiving CTC and 0.4 million families in work without children were receiving WTC only<sup>3</sup>. However analysis of take-up rates by BAME groups<sup>4</sup> found that take-up of tax credits varied – with Chinese households being, on average, 20 percentage points less likely to claim their tax credit entitlement than white families, whilst Indian families were 18 percentage points less likely to claim. Previous HMRC research has investigated the opinions and experiences of the overall tax credit population<sup>5</sup> but this research was specifically designed to focus on the experiences of those from Chinese and Indian households.

HMRC commissioned Ipsos MORI to carry out two parallel studies on the interaction of BAME groups with tax credits and other benefits. This report focuses on the qualitative research on Chinese and Indian people's experiences of tax credits, the second study involved a literature review to gain an understanding of the access to government services by BAME groups.

### **3.2 Study objectives**

The qualitative research was specifically designed to tackle the following objectives among both tax credits claimants and Eligible Non-Recipients (ENRs):

- To explore, in depth, attitudes to, and experiences of, tax credits;

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<sup>2</sup> HM Treasury, The Child and Working Tax Credits: The Modernisation of Britain's Tax and Benefit System, 2002, <http://www.hm-treasury.gov.uk>

<sup>3</sup> HMRC Child and Working Tax Credits statistics, April 2008

<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-apr08.pdf>

<sup>4</sup> Child Tax Credit and Working Tax Credit Take-up by Ethnic Group 2004-05  
<http://www.hmrc.gov.uk/stats/personal-tax-credits/takeup-ethnicgroup0405.pdf>

<sup>5</sup> For example, see Hall, S. & Pettigrew, N. (2008) 'Exploring the key influences on the tax credits claimant population' <http://www.hmrc.gov.uk/research/report-49-final.pdf>

- To understand the Chinese and Indian communities' levels of understanding about tax credits including their purpose, eligibility criteria and how to claim;
- To examine the motivations for claiming, and the barriers these groups face in applying for tax credits; and
- To identify customer suggestions for increasing the take-up of tax credits among the Chinese and Indian population.

### **3.3 Methodology**

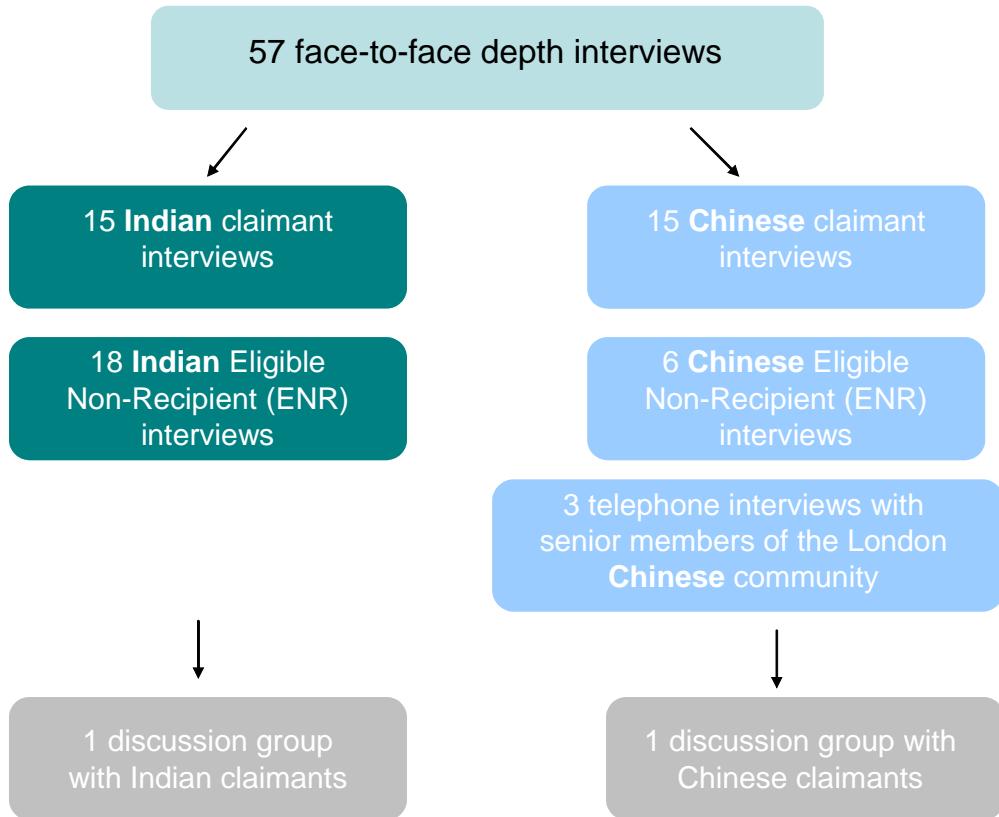
This study utilised both a series of face-to-face depth interviews with individuals and couples as well as two group discussions. The value of using qualitative techniques such as these was that it delivers a greater understanding of the underlying attitudes, perceptions, motivations and mindset of participants than a quantitative approach. Furthermore, it is particularly appropriate for discussing sensitive issues such as benefits and finance, as the moderator is able to build up a good rapport and level of trust with the participant due to the face-to-face nature of the approach.

All interviews were structured by the use of a discussion guide. A discussion guide is intended to stimulate, rather than lead, conversation but ensures that there are areas of commonality between all the interviews. We developed three discussion guides, one for tax credit claimants, one for ENRs and one for the claimant group discussions, in close consultation with HMRC. Please see Appendix A for more details.

In total, 57 depth interviews were carried out with Indian and Chinese individuals: 30 with claimants and 24 among ENRs. The claimants were recruited via telephone, having been identified from HMRC records, while ENRs were recruited using a range of free-find approaches<sup>6</sup>. As expected, recruitment for the ENR interviews was a challenge, particularly for the Chinese; due to this, researchers were unable to recruit an equivalent number of Chinese interviews to the Indian total. To ensure the research engaged with the breadth of issues facing the Chinese community, the reduced number of depth interviews were supplemented with telephone interviews with three senior members of the London Chinese community. Interviews lasted between 45 minutes and 1½ hours. The two group discussions were conducted with claimants and each lasted around 1½ hours. A summary of the research approach is shown below.

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<sup>6</sup> Please see Appendix A for more information.



Interviews with both claimants and ENRs were split regionally to get an understanding of how opinions may vary between different geographical communities within the two groups. Indian interviews were conducted in Leicester and the West Midlands, with Chinese interviews conducted in London and the West Midlands.

An opt-out letter was sent to all claimants selected from HMRC administrative records who were given a fortnight to inform the research team if they did not wish to participate<sup>7</sup>; those individuals who opted out were then removed from the sample. Researchers contacted potential participants by telephone to set up appointments and to ensure that predetermined quotas were met<sup>8</sup>.

Interviews and group discussions were conducted between May and June 2008. Qualitative researchers from the Ipsos MORI Social Research Institute facilitated the depth interviews and all were tape-recorded and transcribed with permission from the participants.

### 3.4 Presentation and interpretation of the data

While qualitative research was the most appropriate methodological approach for this study, it is important to note that sample sizes are small and are chosen purposively to ensure adequate coverage of a range of views.

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<sup>7</sup> Please see Appendix C for reference.

<sup>8</sup> For more information on quotas, please see Appendix B.

Qualitative research is designed to be illustrative of the salient issues and does not look to produce statistics on prevalence and this should be taken into account when interpreting the research findings. In addition, it is important to bear in mind that the research deals with perceptions rather than facts (though perceptions are facts to those that hold them).

Throughout the report we have made use of verbatim comments to exemplify a particular viewpoint. These views, however, do not necessarily represent the views of all participants. Where quotations have been used, attributes are given in the following order:

- Whether they are a claimant or ENR;
- Gender;
- Ethnicity;
- Income level;
- Tax credit product eligibility;
- Location; and
- Moderator number.

In order to analyse and interpret the information collected, the research team used QSR XSight software. This provides a means of building a structured and searchable framework within which to categorise data. XSight is also designed to work as a knowledge management tool to capture and organise data formally from a variety of different moderators, meaning that it is ideally placed to assist researchers in their analysis of large-scale qualitative projects<sup>9</sup>.

### **3.5 Report outline**

Following this introduction, this report is divided into five main sections:

- Chapter 4: Motivations and barriers to claiming tax credits;
- Chapter 5: Claimants' experience and understanding of tax credits;
- Chapter 6: ENRs' perception and understanding of tax credits;
- Chapter 7: Increasing take-up of tax credits; and
- Chapter 8: Conclusions

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<sup>9</sup> For more information on XSight, see Appendix E.

## 4. Motivations and barriers to claiming tax credits

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This chapter explores what **motivated** claimants from the Indian and Chinese population to apply for tax credits. It then goes on to discuss the factors that have acted as motivations and **barriers** to potential claimants. It also looks at sources of information about tax credits.

### 4.1 Reasons for claiming tax credits

In a similar way to the claimant population overall<sup>10</sup>, Indian and Chinese participants had a variety of motivations for applying for tax credits and usually more than one. However, three main reasons emerged. Some Indian and Chinese participants applied because they needed the financial help; others did so because they felt tax credits were an entitlement while the third group starting claiming tax credits because they were part of an overall benefits package.

#### ***Claimants who applied for tax credits because they needed financial help***

The need for extra financial support was a motivation for some the participants. This group tended to be on lower incomes (for example, those with children were eligible for WTC as well as CTC) and struggle to manage within a limited budget

Some of these claimants, especially the older and less wealthy, tended to use defensive language when talking about claiming tax credits and said they would not claim if they could afford not to do so. Others saw WTC as a compensation for low pay, with the Government stepping in because employers were not paying enough<sup>11</sup>.

*It's not extra money. Because you're not getting [enough] from the employers, you're not getting [enough] from the jobs you do, so it helps you along with the kids and with the mortgage and the bills and this house.*

Claimant, M, Indian, Less than £20,000, WTC  
and CTC, W.Mids, M2

For those with a family, the wish to provide adequately for children was often cited as the reason for claiming assistance from tax credits. Children's expenses and demands were mentioned as one factor that put stress on the household budget. This group said they needed the tax credit money to fulfil their basic needs, but how people defined these varied considerably. It ranged from providing for items such as food or paying utility bills to contributing to other spending such as birthday presents or children's

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<sup>10</sup> McAlpine, C and Thomas, A, 'The triggers and barriers to the take-up of Working Tax Credit among those without dependent children', BMRB Social Research on behalf of HMRC, Research Report 86, <http://www.hmrc.gov.uk/research/report86-full.pdf>

<sup>11</sup> Please see chapter 3 for more information on perceptions of tax credits.

activities. For some, simply having food on the table was essential, whereas for others an annual trip to India was considered indispensable.

### ***Claimants who applied for tax credits to top up their income***

Some claimants applied for tax credits in order to top up their income. They tended to have a household income on a level just high enough to leave them ineligible for most benefits but yet not financially comfortable. Similar to those in absolute need (those who needed their award in order to survive), this group also said they claimed tax credits to get financial help, but tax credits did not form a substantial source of income. They tended to be entitled to CTC, but not to WTC, due perhaps to being on a relatively comfortable household income. Tax credits are **not an essential need** for this group of claimants in the way that they are with others.

*It's worth to do it because you pay tax.  
Especially with kids, every penny counts.  
Anything that comes in, you just help towards  
the kids.*

Claimant, F, Chinese, £20,000+, CTC,  
W.Mids, M4

*I thought it would help us even better with  
clothing, toys, nappies, baby food, so that's why  
we wanted tax credit.*

Claimant, M, Indian, Less than £20,000, WTC  
and CTC, W.Mids, M2

Those who did not have an absolute need for tax credits seemed somewhat more in control of their finances, possibly because their overall income was comparatively higher than the group who said they were in absolute need or because they were better at budgeting.

### ***Claimants who regard tax credits as an 'entitlement'***

Some claimants applied for tax credits because they regard it as an entitlement. Some people in this group seemed uncomfortable about claiming support; they did, however, feel that their eligibility justified their claim. Some would use examples of others claiming in similar situations to highlight they were not unusual. These claimants typically stated they had 'worked hard and paid taxes' and it was therefore only right to get some 'tax back'.

Often, these claimants had been prompted by a third party to claim - either friends, family or an accountant – which meant the 'decision' to claim was taken by someone else, making applying seem more acceptable.

*All over the years you haven't done anything  
like that but the accountant say, you have paid  
tax, it's there, it's for you.*

Claimant, M, Indian, Less than £20,000,  
W.Mids, WTC, M2

Those who appeared most comfortable with claiming tax credits were people who felt their eligibility was not based on any ‘fault’ of their own (such as laziness, poor planning or ‘scrounging’ from the state). In particular, having children (and spending tax credits on them) was commonly used as a positive way to validate claiming.

*It's like basically it's for the children, whatever they want, or if they want food, if they want clothes, if they want monies for anything, for their studies, for books or whatever, it's very costly.*

Claimant, F, Indian, M, Less than £20,000, W.  
Midlands, WTC, M6

Claimants who said they applied for tax credits to top up their income also tended to say that they were *entitled* to tax credits<sup>12</sup>.

### ***Applying for tax credits as part of a wider benefits package***

For some claimants, tax credits were part of an overall benefits package that they received. These claimants tended to be out of work and therefore in receipt of Jobseekers Allowance (JSA), housing benefit or other government assistance. They typically did not perceive tax credits income in isolation from other benefit streams and, as they tended to claim tax credits as part of an overall benefit package, this group were less able to cite specific motivations for claiming tax credits. More Indian than Chinese people fell into this group, and they tended to be younger and born or brought up in the UK.

In some cases, tax credits replaced other benefits that people had received previously. For instance, some reported tax credits replacing single parent benefit while others saw it as a replacement for the Married Couples' Allowance.

## **4.2 How claimants find out about tax credits**

Word-of-mouth played by far the most powerful role in a claimant’s journey across the board, serving both as a source of information and a motivation for claiming. Other sources of information (such as HMRC or other government sources) tended to play a supplementary role.

### ***Word-of-mouth as a primary source of information***

Word-of-mouth networks appeared to be the most important and convincing source of information for both Chinese and Indian claimants throughout their ‘claimant journey’. It was particularly useful for those who did not speak English.

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<sup>12</sup> Please see chapter 5 for more on perceptions of tax credits.

Word-of-mouth networks were not only powerful means for spreading initial awareness of tax credits but acted as triggers for claiming tax credits. Some claimants said that without prompting by friends and family, they would not be claiming now. In addition, others who were unsure whether to proceed in claiming were reassured through word-of-mouth networks.<sup>13</sup> For those who faced barriers in taking up tax credits<sup>14</sup>, talking to friends and family was often the way to overcome confusion or uncertainty.

People mostly cited family, friends and co-workers as their main word-of-mouth sources. These gave individuals confirmation that they would be eligible, or reassurance that claiming was 'acceptable'.

*Actually, I think my friend persuaded me to do it rather than the advert because, it didn't really click in the advert.*

Claimant, M, Chinese, Less than £20,000,  
WTC, London, M4

Some participants who had limited contact with benefits services more generally and had limited English said they often relied on their children (of all ages) for information. These parents would often then seek further details from their community. In some cases, children would help again at a later stage when parents were filling in the application form.

The Indian participants appeared to use word-of-mouth networks more effectively than those of Chinese background. The findings suggest that this is due to two factors – the Chinese community is more dispersed than the Indian community (and therefore word-of-mouth networks were less effective) and they also tended to be less open to discussing personal financial matters outside the immediate family. Nevertheless Chinese individuals still relied greatly on word-of-mouth networks as a first source of advice and guidance on tax credits.

However, relying on word-of-mouth information also had drawbacks. In some cases, receiving information from the community 'grapevine' led to misinformation and confusion.

For instance, some claimants who had formed an incorrect understanding of eligibility passed on this misinformation to their friends, family and colleagues. In some cases, this convinced individuals not to claim based on the presumption that they were ineligible.

*Tax credits are for when you are working less than 30, 40 hours – you can top up your earnings.*

Claimant, M, Indian, less than £20,000, West  
Mids, WTC and CTC, M2

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<sup>13</sup> Those who needed extra personal reassurance tended to be less financially aware, more confused about the criteria or the benefits system generally, or faced a language barrier.

<sup>14</sup> Barriers are discussed further in section 4.3.

## **Government and other sources of information**

Although claimants most commonly found out about tax credits through other people, they often also contacted HMRC directly by telephone or through their website to find out about eligibility criteria and other details. Similar to word-of-mouth networks, these sources of information helped people to overcome confusion over eligibility for tax credits. They also turned to other sources such as Jobcentre Plus, but the information they received was not always complete.

*The Jobcentre where I claim income support from, [the lady] said to me, well if you find two more hours and you can do 16 hours, you can get onto tax credits. ... They have actually explained to me everything, but not about this CTC, no, just about the WTC.*

ENR, F, Indian, Less than £16,400, CTC,  
Leicester, M14

*Nobody had told me at the Jobcentre either. In fact I think they're very poor at advising you of what your benefits are. It seems to me that you're left to your own devices to find out what you're entitled to.*

Claimant, M, Indian, Less than £20,000, CTC,  
London, M10

There was also some uncertainty about which department was responsible for which benefit (HMRC or DWP) and what this meant for them. Jobcentre Plus was commonly associated with assistance and benefits and some individuals assumed that they would deal with all tax credits applications and queries.

Some individuals consulted an informed third party such as an independent financial adviser or accountant to check eligibility and/or get assistance with tax credit applications. Those who sought help were mostly individuals on higher incomes or those who were self-employed and already using such professional services for other financial matters. While professionals were helpful and simplified the process for individuals, people more commonly attempted to guess the eligibility criteria using other people's situations as examples. This often resulted in misinformation or confusion. In particular, if the comparison was done against several other claimants, people typically found it difficult to unravel the criteria.

## **4.3 Barriers to claiming**

### **Lack of awareness and access to information**

Lack of awareness acted as the biggest barrier to claiming. As claimants generally found out about tax credits through word-of-mouth networks and direct prompting by friends and families acted as the final motivation to claim, they needed to be part of networks where information was circulated. Some

claimants said that had they not been prompted by friends and family, they would not be claiming now.

There were also issues around accessing information. Typically, people did not recognise HMRC as an initial port of call for information on tax credits. As discussed earlier, many people relied on friends and family or sources like their local council or Jobcentre Plus. They tended to perceive distinct benefits as different forms of 'state help' rather than benefits belonging to different departments.

However, some claimants felt that there was enough information available, but that the onus was on individuals to seek it out, and that acted as a deterrent to many people.

*It's easy to get information because it's everywhere. If you go to the Jobcentre there are leaflets and posters everywhere. But people don't bother, I don't know why.*

Claimant, F, Chinese, £20,000+, West Mids,  
CTC, M4

### ***Confusion about entitlement***

Due to participants' reliance on indirect (or informal) sources of information, there were issues around getting the correct information about eligibility and entitlement. The quality and reliability of information given by networks varied considerably. There was confusion and misunderstanding over eligibility criteria – among both claimants and ENRs - and some felt that this hindered people making claims as the information they received was often incomplete or incorrect.

*People think that you have to earn quite a lot before you can get the tax back, so people don't bother.*

Claimant, F, Chinese, £20,000+, West Mids,  
WTC and CTC, M4

*I didn't have any idea about to whom to go... if I take some benefits do I have to repay them as a loan or something? I was totally confused.*

ENR, F, Indian, Under 35, £16,400+, W.Mids, M3

### ***Negative associations with claiming***

There were also negative associations with claiming tax credits and in these cases such perceptions created significant barriers. Although this was mentioned by both Indian and Chinese claimants, it seemed to be a more prominent issue among the latter group and tended to affect first generation immigrant claimants more than those born and brought up in the UK. Among both groups, it was older respondents who tended to feel least comfortable about claiming, however, we should point out that the numbers within these subgroups were small, and this is not a reliable quantitative measurement. Negative associations were connected to the following three main themes:

- **Notions of dependency.** This was a strong factor among Indian participants, where people wanted to appear independent and self-sufficient. Typically, among those who were self-employed, these very traits were considered important. Dependence on others outside the family also had connotations of a breakdown of the family structure. In particular, Indian men tended to be more defensive about claiming tax credits than women, as they saw their role as being the provider for the household.

*At the moment we don't need any benefits from the government because we are earning good and we don't think we should ask for benefit from the government.*

ENR, M, Indian, less than £20,000, London,  
CTC only, M12

*If God has given you enough then you shouldn't need to ask the government for help.*

Claimant, M, Indian, Less than £20,000,  
Leicester, WTC M11

This was typically seen to be less of a factor for claiming Child Benefit, in contrast, as this benefit was considered to be 'automatically provided' to all parents.

Due to confusion between tax credits and other benefits, some Chinese individuals also mentioned being put off claiming as they would need to queue in a public place every week in order to make their claim (like JSA).

- **Negative associations with 'government' and 'the state'** were common among Chinese respondents. Often, 'the state' was seen more as interfering than providing a helping hand. First generation immigrants tended to want more independence from the state; some community sources suggested that this is based on negative experiences that many of the smaller entrepreneurs had with HMRC (related to undeclared income, as discussed below). From our interviews with senior members of the Chinese community, it seemed there was a distinction between migrants from Hong Kong and those from the Chinese mainland – the former were felt to have much less of an issue interacting with the government, but they were less likely to want to claim government help. If faced with financial problems, they would seek employment (either in the UK or Hong Kong) rather than claim benefits.

For some, there was concern about what the state might do with the personal information they submitted, while one participant thought he *had* to claim so the government knew what he was doing. Commonly, these were examples of misunderstanding of how HMRC and other government departments work, something which was exacerbated by poor English skills.

- **Reluctance to interact with HMRC.** In comparison with the Indian respondents, Chinese individuals tended to be more guarded about

discussing financial affairs and generally sought a greater degree of privacy. Some individuals (both Chinese and Indian) suggested that others may be concerned about having a close interaction with HMRC as they would not want undeclared income discovered. This tended to be more of an issue in the Chinese community, and was thought by community leaders to be connected to working in the informal economy which operates on a cash-in-hand basis.

*Perhaps the original barrier would be because in quite a lot of these businesses, it's still cash orientated, so it is tempting and it is convenient. So...I'll put down in the book you're on 180 and then I pay you 50 or 70 in cash.*

Senior Chinese Community leader

Some felt that, for those who were being paid 'cash-in-hand', the risk of applying for tax credits was especially high as it was administered by HMRC. The danger for them was not only being 'caught by the tax man' but also losing other benefits they were receiving.

*If, as a result of claiming [tax credits] the four kids has lost their school lunch, free transport or whatever, then they will think twice isn't it?*

Senior Chinese Community leader

### **Scepticism over whether claiming is worthwhile**

There was also some feeling that claiming tax credits may not be worthwhile. Some individuals perceived the process of filling in many forms and disclosing lots of information to be burdensome (and this was exacerbated for those who had language difficulties). Furthermore, there was a feeling that the level of award they would receive would have a negligible impact on their income and therefore not be 'worth the hassle' of making a claim.

*We don't know what we are entitled to. It's too troublesome and there are too many forms.*

ENR, F, Chinese, less than 35,000, London, CTC,  
M13

*If it's a case of earning five quid or ten quid from credits... they're not going to bother*

Claimant, M, Indian, £20,000+, London, CTC,  
M5

This scepticism was especially the case where moving onto tax credits was linked to coming off JSA (or other benefits) and into work. This group perceived that any extra costs associated with being in employment would outweigh the amount received.

*[The Jobcentre adviser] mentioned about tax credits, you'd be £3 better off. Oh that's nice, £3 a week, really? Never mind what I have to pay a childminder...it's all propaganda... I'm not that stupid, I'm sorry.*

ENR, F, Indian, Less than £16,400, WTC,  
London, M11

*They're always going to take away more than you gain ... there are hidden [costs], if you like, of being on benefits. And it's the hiddens that are very important to me.*

ENR, F, Indian, 35+, Less than £16,400,  
London, WTC, M6

### ***Worry about tax credits interfering with other benefits***

In some cases, there were concerns that tax credits could 'interfere' with other benefits people were receiving already. This was often due to lack of awareness about the details.

*I thought it might not be worth the effort, because it might stop my existing payments, that's what my fear was.*

Claimant, M, Indian, Less than £20,000, WTC  
and CTC, W.Mids, M2

### ***Language***

Although non-English speaking claimants and ENRs commonly had at least some grasp of English, the findings also pointed towards language as a key barrier for both claimants and ENRs as it stood in the way of their access to information.

*Because I've been educated over here and I understand terminology I didn't really have any problems filling out forms...But I think it could be complicated for other people who perhaps haven't ever worked.*

ENR, F, Indian, Less than £16,400+, WTC,  
London, M6

*I don't read HMRC information because they are in English. They should have more information for Chinese [people] on their website.*

ENR, F, Chinese, £16,400+, W Mids, WTC and  
CTC, M8

This was a more common issue for some Chinese individuals who tended to have a smaller network and needed help with application forms. However, the picture was different for the Indian communities, who tended to have more effective personal and community networks which they could rely on. In fact, some respondents suggested that those who do not speak English in the Indian community at times appeared to be better informed about what help they were entitled to because they had such effective personal local networks.

Both claimants and ENRs were largely unaware of 'thebigword' telephone interpretation service that HMRC offers. However, many people, especially

those whose first language was not English, said they would find such a service helpful.

### **Negative anecdotes about claiming**

In some cases, people had heard stories from others related to problems associated with tax credit overpayments that dated back to 2003, when the tax credits system was first introduced. This issue still resonated among some people. For instance, one Indian respondent recalled receiving a letter stating she had been overpaid and would need to pay HMRC back. Unnerved by the experience she subsequently decided not to renew her application and felt her trust in HMRC had been eroded.

These types of negative anecdotes made people cautious and, for some, acted as a deterrent to applying. The threat of overpayments was a powerful disincentive to some, particularly for the lowest income households – these tended to have little room for planning ahead or saving and could therefore not afford the risk of such an error.

*I have heard of tax credits, yes. I don't know what they are, but I have heard there's a huge scandal about they overpaid so many people and then they were trying to recover it back, things like that.*

ENR, F, Indian, £16,400+, WTC and CTC,  
W.Mids, M13

## **5. Claimants' experience and understanding of tax credits**

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This chapter examines claimants' overall experience of dealing with HMRC on tax credits, from application to raising queries. It also illustrates the level of understanding claimants have about tax credit eligibility and outlines some of the common impacts tax credits have on household finances.

### **5.1 General perceptions of tax credits among tax credits claimants**

Tax credits were viewed positively in comparison with a range of other benefits and entitlements. Receiving money from tax credits was commonly perceived as more acceptable than from other benefits such as JSA or Income Support (IS).

*I don't believe in no Income Support or anything, but [I needed help] because my husband left me and it is no choice for me, because I had two children.*

Claimant, F, Indian, Less than £20,000,  
WTC, London, M6

These perceptions existed, in part, because CTC was connected to having children and WTC could only be claimed while working – both positive characteristics in participants' minds. But there were differences between the two main types of tax credits.

CTC was viewed more positively (and carried less stigma) than WTC as it was based on having children rather than an assessment of low household income. In this sense, it was considered more akin to a universal benefit like Child Benefit than IS, for instance.

Those without children (and therefore receiving WTC only) tended to see tax credits in a different way, linking it more specifically to income and need. That said, these claimants also saw tax credits as a positive way to avoid unemployment or deprivation.

*[Working Tax Credit is] different because it encourages work... it's very important to work rather than milk the system.*

Claimant, M, Indian, £20,000+, W.Mids,  
WTC and CTC, M4

## 5.2 Claimants' perceptions of HMRC and the tax credit application process

### *The application process*

Participants generally believed that the application process was straightforward and those who had experience of other HMRC forms such as the claim form for pension credits were more positive about the process than others who had not. Former applicants for JSA and IS were especially positive about how streamlined it was in comparison.

*Compared to income support where we needed to provide lots of medical evidence this application was really easy.*

Claimant, M, Indian, less than £20,000, WTC  
and CTC, W Mids, M2

*It's pretty easy, if you look at it. It says, section A, section B, what to put in there. I reckon even a donkey could do it.*

Claimant, M, Indian, less than £20,000, CTC,  
London, M10

Some had received help from accountants anticipating that the form would be more difficult than it was, but later realised this was not necessary. After initially completing the form, claimants commonly pursued any queries over the telephone, and were satisfied with the outcome.

Although the process was usually seen as straightforward by those who successfully end up claiming, claimants sometimes mentioned frustration at having to provide full personal and income information at the application stage. Individuals questioned why they needed to provide information the government already had, and suggested there should be more communication between different benefit providers and departments. As is true for the population overall, and has been noted in other research<sup>15</sup>, there was little detailed knowledge of which departments dealt with individual benefits.

Those with poor English skills (such as some of those who were more recent migrants to the UK or older claimants) were just as likely to say that the process was straightforward, as, with these respondents, it was more likely that someone else had filled the form in for them, or at least given them help with it.

It was often the case that those born outside the UK (whether Chinese or Indian) had received help with the form, as they struggled with some

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<sup>15</sup> Finn, D., Mason, D., Rahim, N., Casebourne, J., 'Problems in the delivery of benefits, tax credits and employment services', Joseph Rowntree Foundation, <http://www.jrf.org.uk/publications/problems-delivery-benefits-tax-credits-and-employment-services>

terminology (although these participants commented that most of the form required figure entry rather than written text, which made the process simpler). The result of this was that those respondents who had little involvement with the form typically did not understand the factors behind tax credit eligibility or award amounts.

### ***Views about dealing with HMRC regarding tax credits***

The overall perception of HMRC in relation to claiming tax credits tended to be positive among these claimants. Although participants raised issues about understanding their eligibility, the application process for tax credits was seen as straightforward and HMRC's customer service was well regarded. People also had faith in HMRC to give them correct information and to make the right judgement on eligibility and award levels; indeed this was true with both claimants and ENRs.

*We trust HMRC without a doubt. They have the same information for everyone and if there is a mistake, they would rectify it.*

ENR, F, Chinese, £16,400+, W.Mids,  
WTC & CTC, M9

*I trust HMRC. It's a government body. Why can't I trust them?*

ENR, F, Chinese, £16,400+,  
London, CTC, M8

*We didn't check it, we didn't ask what it is, so we always leave it as their decision, and we know they won't do anything wrong.*

Claimant, M, Indian, Less than  
£20,000, London, WTC, M9

Although people commonly trusted HMRC to get calculations correct, this was not necessarily an informed trust. These claimants felt they *had* to trust HMRC as they did not understand how to check the calculations, and doubts did exist due to negative stories about previous administrative errors and overpayments.

## **5.3 Claimants' understanding of tax credit eligibility**

Claimants' understanding of tax credits was often informed by their own particular circumstances. For example, those who were unemployed or who worked part-time tended to think that these were the pre-requisites for eligibility. Generally, claimants felt that WTC was based on income and CTC was based on having children in the household. Among those that claimed both, there tended to be less

understanding of eligibility criteria – these claimants would refer to ‘tax credits’ as a whole and say they were for less affluent people who have children.

Two distinct claimant groups emerged from the study when it came to understanding tax credits:

- *Well-informed* - those who understood the eligibility criteria, the amount and the journey they went through
- *Detached* - they receive the award in a much more passive way, are less likely to be aware of the financial impact and it was likely to have less of an impact

These characteristics are most likely true of all claimants, and not just restricted to the two Indian and Chinese people interviewed.

Of the well-informed claimants, even those who filled in the form themselves commented that the process did not give them a clear picture of how the award was calculated, and some felt the form asked for a lot of information from claimants without giving as much clarity about the process from their side. Therefore, while the application itself was seen as relatively hassle-free, there was little understanding of how the level of award was calculated and decided.

*Still don't know what they are, don't know how they're calculated – I know they're most welcome and that the operation seems to be smooth, it's a simple, automatic sort of thing.*

Claimant, M, Indian, less than £20,000, WTC  
and CTC, London, M10

Those who fell into the detached group said they would appreciate more information on how the award levels were calculated so they could ensure they were receiving the correct amount, instead of simply accepting the amount they were awarded. That said, because of relatively high levels of trust in HMRC, this group generally felt that their award levels were correct.

There was also some confusion, among both groups, about how the calculation process worked, and where the money was coming from. Some misunderstanding stemmed from the words ‘tax’ and ‘credit’, mainly amongst Chinese respondents, which led some to believe that they were being paid back money directly as a result of having paid taxes.

Some believed that, although it was paid directly into their bank accounts, the money was deducted from their earnings. One Chinese respondent thought that the more money he earned, the more tax credits he received, while another thought that the purpose of the scheme was so that the government knew what people were doing

when not in work, although overall, this level of misunderstanding was atypical.

*It's a benefit for those that contribute to the tax system, they work hard, and it's a way of claiming some tax back.*

Claimant, M, Indian, £20,000+, CTC, London,  
M5

## 5.4 Claimants' experiences of tax credits and contacting HMRC

### ***Customer experience overall***

Once people had made their initial claim, their interaction with HMRC tended to be minimal. Typically, they were in touch with HMRC just once a year to renew and finalise their award. In general, claimants were satisfied with the length of time it took to receive the first claim – usually within one or two weeks. Even where it took longer (such as a month), this did not present a big problem as claims were backdated.

There were some differences in customer experience and English skills played an important part in this. As mentioned earlier, there was very little knowledge of 'thebigword' interpretation service and those who did not speak English and had very little understanding of how the process worked, relied heavily on third party help.

### ***The tax credits helpline***

Those who had used the telephone helpline described staff as being very helpful, knowledgeable and patient. Longer-term claimants recognised an improvement on the service provided over the years. In the past, callers had long waiting times and staff were perceived as being less knowledgeable and effective. Some were hesitant about calling the helpline themselves, particularly where language was an issue. Although non-English speakers who had used the helpline found staff very patient and helpful, their preference tended to be face-to-face guidance where communication was easier.

### ***Communication with HMRC***

Claimants were generally happy with how HMRC communicated with them and there was little difference in *how* claimants and ENRs preferred to be contacted. Although the telephone helpline was the most commonly cited initial way of communicating with HMRC, some (typically the more financially aware) mentioned using the internet to find out more about tax credits.

Claimants also mentioned receiving letters from HMRC – both informing them of their award amount and reminding them to update

their details. These letters often generated confusion among claimants who rarely felt able to decipher the calculation information given or understand whether any personal action was required. This is something that HMRC staff also mentioned as an issue, particularly in dealing with BAME customers<sup>16</sup>.

As mentioned previously, face-to-face communication was still considered an important way of learning about tax credits and discussing queries, with a tendency for this especially among older claimants and those with poor English. Jobcentre Plus was seen as the main way of doing this and indeed some felt advisers could have a bigger role in promoting awareness and take-up of tax credits.

## 5.5 The impact of tax credits on claimant households

People tended to feel that tax credits had made a difference to their lives, particularly those receiving WTC. Without it, those on lower incomes said they would struggle with their bills, would not be able to save and would think twice about every minor expense.

However, where the sum involved was considered very small (typically for those on the family element of CTC) claimants did not feel any notable impact from tax credits. That said, perceptions did vary; as one Indian claimant put it, 'every little helps.'

*It's something that's helpful and useful yet not a quantum leap of change or circumstance...not some mega life changing experience.*

Claimant, M, Indian, Less than £20,000, CTC only, London, M10

Having tax credits did not necessarily mean that people spent more, but they provided claimants with more room for manoeuvre.

### Tax credits and children

Typically, tax credits became part of people's overall budgets and were not a separate standalone income. CTC recipients, however, saw tax credits as something that should be spent on children and their future.

*It's mainly for the children; it's for anything they do extra. It's like swimming and things like that, because what I have earned I've already accounted for, that is for the food money and anything extra on top of that they all go onto the kids.*

Claimant, M, Chinese, £20,000+, W.Mids, CTC, M4

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<sup>16</sup> Please see HMRC Research Report 116, 'The experience of customers from Black, Asian and Minority Ethnic groups with HMRC products' (2008), [www.hmrc.gov.uk/research](http://www.hmrc.gov.uk/research)

*We always give a few thousand pounds to the girls, keep it in their name, so that helps when they get married... so when there's a marriage you haven't got a big burden.*

Claimant, M, Indian, Less than £20,000, W.  
Mids, CTC only, M6

But where financial need was greatest, even CTC contributed significantly towards essentials, such as bills, food and clothing. These lower income households had less leeway to set aside money and 'child spending' took a more indirect form. These patterns across higher and lower income households have also been seen in other tax credit research for the general population<sup>17</sup>.

*When I'm short I spend on the bills and then the shopping and then [after that] on the children's clothes or whatever they want because at the end of the day it's their money.*

Claimant, F, Indian, Less than £20,000, W  
Mids, WTC & CTC, M4

### **Saving**

Those claimants who were in a position to save (typically higher income groups and those better at financial planning) also tended to set aside their tax credit income for major expenses like family holidays or funds for university or future weddings. This group of people tended to be regular savers.

*We have to save the money for the children...for my son, for the future, for his growing or going to university, even though he's so young but I still save some money in case.*

Claimant, F, Chinese, £20,000+, London, CTC,  
M5

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<sup>17</sup> Hall, S. and Pettigrew, N. (2008) 'Exploring the key influences on the tax credits claimant population' <http://www.hmrc.gov.uk/research/report-49-final.pdf>

## **6. Eligible non-recipients' (ENRs') perception and understanding of tax credits**

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This chapter explores ENRs' awareness and understanding of the tax credit system. It examines their perceptions of entitlement, eligibility and the whole system more generally.

### **6.1 ENRs' awareness of tax credits**

Not surprisingly, ENRs had much lower awareness of tax credits, although there was some recognition of the term. There were two distinct types of ENRs:

- *Those with limited knowledge* – they know little or nothing about tax credits and 'got by' without them.
- *Those who knew a little but believed themselves to be ineligible* (often because they heard incorrect hearsay).

There was some recollection of tax credits advertisements<sup>18</sup>, but those who had no recollection tended to believe that government purposefully did not advertise tax credits to save money.

*I think the government would prefer that the less people who apply for them is good for them, for their coffers, so they don't really go around advertising it too much.*

ENR, F, Indian, less than £20,000, W Mids,  
WTC and CTC, M13

### **6.2 ENRs' perceptions of tax credits and HMRC**

Although ENRs were typically less aware of HMRC and its remit than claimants were, their perceptions of HMRC were no different to claimants and this did not appear to act as a barrier to claiming. ENRs had typically heard very little or nothing about tax credits and therefore did not have any set opinions about them. Where ENRs were aware of tax credits, they tended to view tax credits more as a benefit than an entitlement in contrast to the views of claimants.

Once given information about tax credits, ENRs tended to fall into two main groups. The first group seemed interested and asked for more

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<sup>18</sup> It is worth noting that tax credit adverts have focused on reminders for information renewal rather than awareness raising.

details. This suggested that once their entitlement was established, they would be happy to claim.

The second group held negative attitudes towards benefits generally. This tended to be especially true among older ENRs who had more traditional views and who regarded hard work as a better alternative to seeking outside help. Particularly among older Chinese groups, seeking help from the government was only considered an option for the destitute.

*I think it's our duty to look after others. We shouldn't claim it. That's what I think. That it's a blessing because there are others in your house.*

ENR, M, Indian, £16,400+, Leicester, CTC, M14

*In Britain, getting money from the government is just seen as help – in China it is seen as failure.*

Claimant, M, Chinese, £16,400+, London,  
CTC,M3

As tax credits were typically considered a benefit by ENRs, this association discouraged some in this group from claiming, a cultural hesitation which was identified by some claimants;

*Chinese [people] always think that if we can be independent then we should not bother others...if we can afford to feed the child.*

Claimant, M, Chinese, Less than £20,000,  
London, WTC, M3

For these ENRs, Child Benefit was the only assistance that was seen in a different light.

*We always worked and when I was with my ex he always worked. He never believed in, we never believed in the benefit. Child Benefit was the only thing*

ENR, M, Indian, £16,400+, Leicester, CTC, M14

### 6.3 ENRs' understanding of tax credit eligibility

As many ENRs had not heard of tax credits, it is not surprising that understanding of the tax credits system was incomplete. Among those who knew very little about tax credits, confusion sometimes stemmed from the words 'tax' and 'credit'. This was particularly true with Chinese respondents.

*I am not clear what is 'Credit'. I looked it up on the internet but couldn't find any information on it.*

ENR, F, Chinese, less than £20,000,  
London, WTC and CTC, M8

*I don't understand the terms 'credit' or 'debit'."*  
ENR, F, Chinese, £16,400+, CTC, London M8

Mirroring some of the confusion expressed by claimants, some ENRs had misconceptions about eligibility; some stated that only civil servants and social workers were able to claim; some thought that they were ineligible because they earned too much, and, unusually, others believed their income was too low. ENRs commonly believed they were ineligible if they were in work and paying taxes.

*WTC is if you are not able to work for some reason, you can claim back some tax you paid earlier.*

ENR, M, Indian, less than £20,000, London,  
CTC, M12

As another example of general confusion, one Indian respondent contacted her council for information, and in the absence of a response, assumed she was ineligible as her parents were not born in the UK (even though she had a UK passport).

## 6.4 The claimant journey for eligible non-recipients (ENRs)

By definition, ENRs had not gone through the full claimant journey, although some had gone through the initial stages of claiming tax credits. ENRs fell out of the claimant journey at three main points – *initially hearing of tax credits; becoming fully aware of tax credits; and understanding their eligibility for them*. ENRs therefore grouped into three main types:

*Those who had never heard about tax credits.*

These tended to be people that were neither proactive about financial issues nor part of knowledgeable networks.

*Those who had heard about tax credits but never enquired about any details or eligibility criteria.*

This group were often part of networks that were not particularly well-informed or who had heard about tax credits by chance. Some of them were put off from trying to find out more by the barriers mentioned in the section above.

*Those who knew something about the eligibility criteria for tax credits but assumed they were not eligible.*

In some cases, this was because people had 'pieced together' the criteria from other people's experience or because of wrong information circulating through word-of-mouth.

Across all three groups, people tended not to be very financially aware, proactive or part of any strong networks. Some were isolated, which made it harder to access information in the first place, or they had heard incorrect information. From the difference in networks mentioned previously, this appeared to affect older people and Chinese individuals to a greater extent.

## **7. Increasing take-up of tax credits**

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This chapter summarises the key barriers that prevented ENRs from applying for tax credits as well as the hurdles that claimants faced in the process of applying. It also details possible routes to improving take-up among Chinese and Indian people, from both the claimant and ENR perspectives.

### **7.1 Understanding the barriers**

Chapter four described in detail the key barriers that Chinese and Indian individuals face in applying for tax credits. In summary, the factors that hampered take-up were:

- **Lack of awareness and access to information:** networks are an important factor in determining whether people hear about tax credits. As word-of-mouth is a key source of information, those with less developed social networks (such as Chinese groups) tended to be less aware of tax credits. The lack of widespread knowledge about where to go for information about financial support also prevented some individuals from applying.
- **Confusion about entitlement:** due to the reliance on word-of-mouth information in finding out about tax credits, there were some mistaken views shared about tax credit eligibility and entitlement.
- **Negative associations with claiming:** some groups felt uncomfortable about claiming tax credits and other benefits; this tended to be particularly true in the Chinese community and among older participants more generally. There were three main aspects to the negative associations held: the *association with dependency*, *negative perceptions of the 'government' and 'state'* and *reluctance to interact with HMRC*.
- **Scepticism over whether claiming is worthwhile:** there was doubt among some groups about whether claiming tax credits would be a worthwhile process, typically because the amount may not justify the effort.
- **Worry about tax credits interfering with other benefits:** where individuals were unsure about how tax credits worked, they were often wary about how claiming tax credits might affect the other benefits they were receiving already. Furthermore, those claiming other benefits had faith in their Jobcentre Plus adviser to be aware of all the applicable benefit options and assumed they were already being offered the best available 'package'.
- **Language:** poor English skills tended to stand in the way of individuals getting reliable information about tax credits, especially amongst individuals who were not able to rely on a network of friends and family.

- **Negative anecdotes about tax credits:** stories about the impact of tax credit overpayments made some individuals cautious about applying, even though typically errors had occurred a long time ago.

## 7.2 Routes to improving take-up

Having outlined the barriers above, both claimants and ENRs had useful suggestions about how to improve take-up among the general public at large, and their ethnic communities in particular.

For both claimants and ENRs, the key factor in increasing take-up of tax credits was **raising awareness** through targeted information and greater clarity about eligibility criteria. They felt that information needed to be communicated through appropriate channels and tailored to the needs of different communities, for instance by offering it in different languages.

In terms of how information should be communicated to people, participants suggested a number of different methods, which they felt would be effective. Specifically:

- **Communicating via appropriate channels** Among Indian participants, the use of local community radio was commonly suggested as a way of reaching people. It was seen as both a popular and trusted source of information. It was also considered to have advantages over written communications for people who may have difficulty reading both English and their own language. Community television tended to be a more popular option for Chinese participants, partly because Chinese radio was mostly felt to be limited to Cantonese speakers.
- **Using community festivals and gatherings** Some mentioned community festivals, events and gatherings as a way of reaching a wide audience. Some Indian respondents in Birmingham mentioned the Vaisakhi festival which was well attended by the Indian community. There were suggestions that HMRC could sponsor a stand at the fair (staffed by bilingual employees) who could give advice and guidance about tax credits. Interviews with Chinese community members suggested places that were trusted and seen as credible, such as the Chinese Chamber of Commerce.

*There's a Chinese Chamber of Commerce in Chinatown.....at the weekends there will be hundreds of school kids going there to learn Cantonese or Mandarin, While the kids are in classes this group of parents are sitting ducks for you to [reach].*

Senior Chinese community member

- The use of **places of worship** to disseminate information was welcomed by some participants and Indian participants, in particular, thought this was a good way of reaching their community. However, while there were some reservations about the use of religious leaders to convey the government's messages, they agreed that religious

leaders were trusted and highly regarded within those communities, and therefore could be very helpful in raising awareness.

*The leaflets should go to the mosques and gurdwaras so that the presidents can tell people and put something on the noticeboard.*

Claimant, M, Indian, Less than £20,000, W.  
Mids, WTC only, M2

- **Community centres** were also seen as a good way of getting information to people, particularly among Indian participants who had strong networks and made frequent use of such centres. Among Chinese participants where community networks tended to be less strong, community centres were seen as a useful way of getting information across, but they also felt provision needed to be made for those who were less connected to community networks. For these groups they advocated the use of more 'mainstream' sources, such as schools, GP surgeries, local supermarkets and leaflet drops.
- **Working with other agencies** Since Jobcentre Plus was commonly associated with assistance and benefits and this was where some people were advised about their eligibility for tax credits, some felt they could be used more effectively to convey accurate information. Some Chinese participants suggested having a drop-in facility at Jobcentres where people could ask questions face-to-face. This approach (in comparison with assistance over the telephone, for instance) was popular, especially among those who were less able or confident in speaking English. However, interviews with senior members of the Chinese community suggested that the Jobcentre was "alien" to a lot of Chinese people and so this was unlikely to reach a large number of Chinese people. Instead, they suggested some 'cross-checking' mechanisms across government departments to ensure that those who are claiming one benefit are not missing out on another. Local councils were also seen as a credible source of information and suggestions were made that information could be made available via local authorities. Indeed, in the Leicester discussion group, Indian respondents were shown a poster offering help with childcare that was endorsed by the council. This was seen as giving more credibility to the poster.

*My recommendation would be...making sure that information is available to our local benefits office so there's a cross checking mechanism there to ensure that this individual is actually receiving that low income and encourage the person to claim the tax credit*

Senior Chinese community member

## **Conveying the right messages**

As well as using the right methods of communication, participants also suggested that the messages themselves needed to resonate with people. For instance, they suggested promoting the positive aspect of tax credits – that is, that they are a 'reward' or 'entitlement', rather than a benefit. They

also wanted better and clearer information on eligibility and some suggested the use of case studies or benchmarks against which they could assess themselves. Some claimants also suggested that HMRC needed to counter the perception that the tax credits application form was very difficult to complete because they felt that the application form was likely to have deterred some people from claiming tax credits.

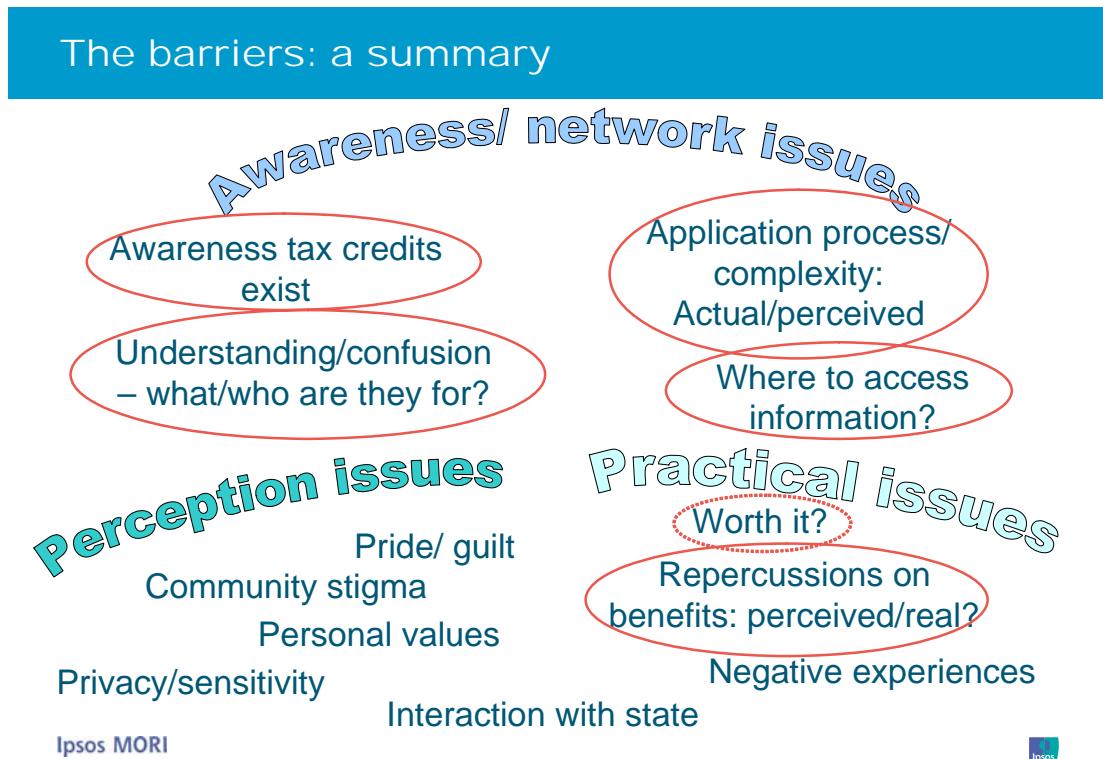
*Clearer information on who is eligible and  
reassurances over how easy the form is to fill in  
– lots of people put off by complexity.*

Claimant, F, Indian, £16,400+, W. Mids, CTC,  
M1

## 8. Conclusions

In summary, the hurdles and barriers that claimants and ENRs encountered in taking up tax credits were both varied and complex. The evidence from customers suggested that in facing these issues, HMRC could consider taking a tailored approach – using communication and information campaigns which take account of each minority ethnic group as well as other factors such as language ability, age and cultural factors.

The image below summarises the key barriers mentioned throughout this report and identifies possible areas where HMRC could have an impact (circled in red).



### ***Awareness and network issues***

Given that a lack of awareness and understanding were the primary reasons given by customers for low take-up of tax credits among those interviewed, improvements to take-up rates could consider communication methods. Furthermore, as word-of-mouth was a key information source for some Chinese and Indian individuals, any communication strategy could be designed to be bottom-up and specific to the local area. Opportunities may exist therefore, such as using word-of-mouth channels and collaboration exercises with community and grassroots groups, to take advantage of the influence of networks for some groups, and mitigate against the limited use of a support network amongst others.

## Improving take up

### Indian

- Community radio
- Community TV
- Festivals
- Community centres
- Religious gatherings

### Chinese

- Community newspapers
- Community TV
- Internet sites
- Community centres
- Mainstream channels, GPs,  
schools, libraries

Suggestions for the form of communication HMRC could use have been given in previous chapters – using *community television* and *radio*, *community centres*, *festivals* and *religious gatherings* are all possible options. However, the suggestion was that HMRC should consider taking account of different **language** needs – participants would like any information provided summarised in the key languages, which will differ for each community in question. As well as language, the findings from customers suggested more can be done to make tax credits resonate with ethnic minority communities. Participants responded very well to the concept of using **case studies and images** which related directly to individuals.

In addition, there are clear **differences between Chinese and Indian participants**, not least in how networks and information channels were used. As highlighted earlier, the Chinese participants interviewed tended to be more dispersed than some of the Indian participants who had strong community ties and therefore some sources such as radio and community centres would not be available to all individuals, so more mainstream touch-points may be more appropriate (such as GP surgeries or schools).

The research suggested that not only is it important to consider which channels to use in disseminating information about tax credits, but also *who* is best placed to communicate the scheme. **Engaging community spokespeople** was suggested as an effective way of promoting dialogue in some parts of the Chinese and Indian populations and for gaining greater insight into which routes are most appropriate. Examples could include community centre staff, local Councillors, school personnel and religious leaders. As well as working with local individuals and groups, the study has highlighted the value of fostering greater coordination across different benefit providers and advice centres (such as Councils, advice centres and Jobcentre Plus).

### **Practical issues**

As well as improving awareness, the research suggested that there were opportunities for HMRC to clarify some of the practical aspects of claiming tax credits. Whether or not individuals saw tax credits as worthwhile was an important factor in deciding whether to apply and reassurance that claiming is

not necessarily a complex process (and will not have a net negative impact through interaction with other benefits) could also help.

Again, the comments from customers suggest that **information provision and guidance** (particularly at the grassroots level) has a role to play in convincing ENRs that claiming is not a lengthy and complex process. The research suggests that community-level services and the provision of joined-up advice at places like Jobcentre Plus were the most important sources to provide this.

### ***Perception issues***

Providing reassurances for some individuals could be more challenging. In particular, for Chinese respondents, where perceptions of the state are a barrier (e.g. state ‘intervention’ rather than ‘assistance’), the research suggested that motivating ENRs to apply would need to consider **how tax credits and state assistance was communicated, for example, whether the emphasis should be** that they are an entitlement which many are eligible for and downplaying associations with poverty and failure. This may go some way to turning around cultural/attitudinal stigmas and alleviating barriers associated with personal pride.

However, the findings would suggest that for some, particularly in the older, more traditional groups, encouraging take-up would require significant changes in mindset and attitudes towards the state. The desire for privacy and self-sufficiency are personal values and, unlike attitudes and perceptions towards the Department more generally, not something that HMRC could easily influence. The challenge would be to consider how communication and customer service could take account of and provide reassurances around these factors.