

Take-up of tax credits

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Executive Summary

Background

Not all households who are eligible to claim tax credits actually claim them. This report draws on evidence from questions exploring why some eligible households do not claim tax credits asked on two omnibus surveys, and on the 2009 Panel Study of Tax Credits and Child Benefit Customers conducted by the National Centre for Social Research.

Reasons for non take-up

Awareness of tax credits was not the main issue why eligible non-recipients did not take up tax credits. The majority, over eight in ten (84 per cent) of eligible non-recipients, said that they had heard of tax credits.

Most eligible non-recipients did not claim because they thought that they were not eligible. Seventy-eight per cent who were eligible and had heard of tax credits mentioned that the main reason they were not claiming was because they thought they were not eligible. Other reasons were previous bad experience with HMRC, worries about receiving an overpayment and the perception that the claim process was complex.

Most eligible non-recipients (78 per cent) would claim if they found out they were eligible. Among the minority who would not claim there were a range of reasons: wanting to be independent/feeling they did not need tax credits; concerns about complexity of the system and the claim process; concerns about overpayments or dealing with HM Revenue and Customs; and feeling that tax credits paid too little to be worth claiming.

Influence of current tax credits recipients on take-up

Around half of current tax credits recipients (49 per cent) reported that they had spoken to others about tax credits and the majority who had done so had spoken positively. Overall, the majority of current tax credits recipients had recommended or would recommend tax credits to someone who was eligible but not claiming (92 per cent).

Eight per cent of all current recipients said they had spoken negatively about tax credits. Recipients who had experienced overpayments were more likely to have spoken negatively than those who had not, but the majority of this group had still spoken positively.

1. Introduction

Not all households who are eligible for tax credits do in fact claim them. The latest published estimates (covering 2008-09) show that 80 per cent of eligible families are claiming Child Tax Credit and 58 per cent of eligible low earners are claiming Working Tax Credit (HM Revenue & Customs, 2011). This report explores the reasons why some eligible recipients do not take-up tax credits.

Previous qualitative research found that Working Tax Credit recipients were directly informed of their potential eligibility by family, friends and colleagues. This served as a key trigger for them to seek further information about tax credits and ultimately made a claim (McAlpine & Thomas, 2008). The potential influence of existing tax credits recipients on eligible non-recipients (ENRs) is considered in this report.

1.1 Aims of the research

The purpose of this report is to explore why ENRs do not take-up tax credits. The report will cover:

- the relative importance of the different factors that influence take-up;
- the level of understanding around eligibility criteria;
- the importance of personal characteristics and other factors such as perceptions of HMRC and the tax credits system;
- and the influence of other tax credits recipients on ENRs.

1.2 Data sources

This report draws on evidence from two sources: first, questions specified by HM Revenue & Customs (HMRC) and asked of ENRs on the Office for National Statistics (ONS) and the National Centre for Social Research (NatCen) omnibus surveys; second, questions asked of existing tax credits recipients as part of the Panel Study of Tax Credits and Child Benefit Customers conducted by NatCen.

1.3 Methods

HMRC commissioned modules of questions on two omnibus surveys. Questions were asked in the omnibus surveys run by ONS and NatCen. They were asked six times over four months in July to October 2009. This provided a statistically representative sample of customers who were ENRs, with enough customers interviewed to be able to draw robust conclusions from the analysis. ENRs were first identified through questions on income and personal circumstances. Then, a number of follow-up questions were asked about barriers to the take-up of tax credits.

In 2008, HMRC commissioned NatCen to carry out the Panel Study of Tax Credits and Child Benefits Customers. The Panel Study was designed as a large-scale survey exploring recipients' experience of claiming tax credits and Child Benefit. The 2009 study had two components, a face-to-face survey which took place between October 2008 and March 2009 and an in-year telephone survey with a subset of the 3,600 recipients.¹ The in-year telephone survey took place in summer 2009 and included questions on the take-up of tax credits the findings of which are presented in this report. All panel study findings in this report refer to tax credits recipients who were in receipt of tax credits between 2007/2008 and 2008/2009.

¹ For full details of the Panel Study please refer to the technical report of the 2009 Panel Study.

2. Reasons for non take-up

2.1 Awareness

All those who were identified as eligible non-recipients of tax credits (ENRs) were asked if they had heard of tax credits. The majority, over eight in ten (84 per cent), of ENRs had heard of tax credits.

Table 2.1: Have you heard of tax credits (Working Tax Credit or Child Tax Credit)?

	ENRs
Yes	84%
No	14%
Don't know	2%
Total	100%

Base: 715 (all ENRs)

2.2 Reasons for non take-up

ENRs who had heard of tax credits were asked “Why did you choose not to make a claim for tax credits?” and asked to choose up to three responses from a list of 12 reasons:

- ‘I think I am not eligible’;
- ‘HMRC/Government would contact me if I was eligible’;
- ‘Tax credits pay too little’;
- ‘Don't want to be supported by the Government’;
- ‘I would be embarrassed about needing Government support’;
- ‘Others need tax credits more than me’;
- ‘Worried about overpayments’;
- ‘The claim process is too complicated’;
- ‘Past bad experience with HMRC’;
- ‘Don't know how to claim’;
- ‘Don't want HMRC to have too much information about me’; and
- ‘My financial matters are private’.

Eight in ten (80 per cent) who were eligible and had heard of tax credits said they thought they were not eligible to claim. The other most commonly given reasons given for not claiming were:

- *the claim process was too complicated;*
- *don't know how to claim;*
- *past bad experience with HMRC; and*
- *worried about overpayments.*

Each of these was only given by about four per cent of customers who had heard of tax credits (see Table 2 in the Appendix for details).

ENRs who had heard of tax credits were asked to specify the main reason they chose not to claim tax credits if they gave more than one reason. Thinking they were not eligible was the most common main reason given (78 per cent). Other main reasons are as shown in Table 2.2 below. Each of those were given as the main reason by less than four per cent of respondents and included having previous bad experience with HMRC, worries about receiving an overpayment and the perception that the claim process was complex.

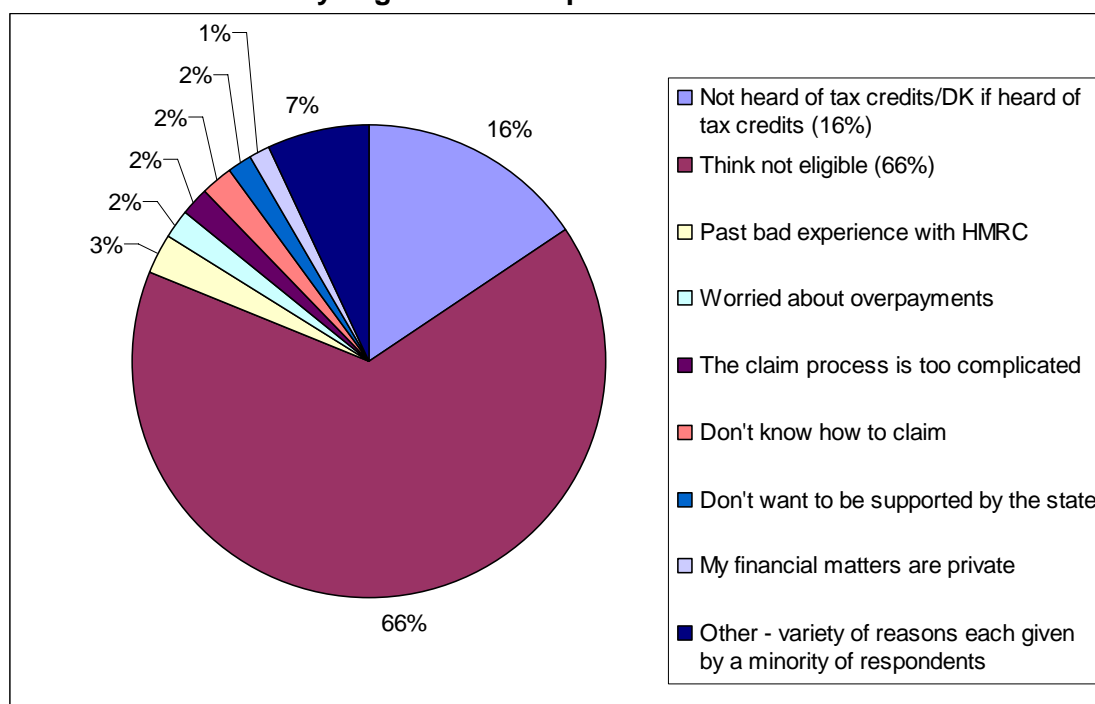
Table 2.2: Main reason why those who have heard of tax credits don't claim

Main reason choose not to claim	
I think I am not eligible	78%
Past bad experience with HMRC	3%
Worried about overpayments	3%
Don't know how to claim	2%
The claim process is too complicated	2%
Don't want to be supported by the state	2%
My financial matters are private	2%
Tax Credits pay too little	1%
HMRC/Government would contact me if I was eligible	1%
Don't know/other reason	6%
Total	100%

Base = 601 (ENRs who have heard of tax credits by don't claim)

Chart 2.1 below combines the responses to the question 'Have you heard of tax credits - Working Tax credit or Child Tax Credit?' with the question asking for the main reason 'Why did you choose not to make a claim for tax credits?'. It shows that, looking at all ENRs, most had heard of tax credits but did not think they were eligible (66 per cent) compared with 16 per cent who had not heard of tax credits.

Chart 2.1: Reasons why eligible non-recipients did not claim tax credits*



*Responses from more than one question combined.
Base = 714 (all ENRs)

2.3 Whether ENRs would claim if made aware of eligibility

ENRs who thought they were not eligible were asked whether they would claim if they found out that they were eligible to receive tax credits. Nearly eight in ten (78 per cent), said they would claim tax credits if they found out they were eligible (Table 2.3 below).

Table 2.3: Whether those who had not heard of tax credits, or those that had heard but think they were not eligible, would claim if eligible*

<u>Claim if eligible?</u>	
Yes	78%
No	15%
Don't Know	7%
Total	100%

*Respondents who had not heard of tax credits were told what tax credits were before being asked this question.

Base = 577 respondents

The minority of respondents (15 per cent) who would not claim if they found they were eligible, were asked the reasons for this.

The key reasons were:

- Personal characteristics – independence, privacy and need
 - *'don't want to be supported by the Government /embarrassed about needing Government support';*
 - *'my financial matters are private/don't want HMRC to have too much information about me';* and
 - *'others need tax credits more than me';*
- Complexity of system
 - *'the claim process is too complicated';* and
 - *'don't know how to claim';*
- Value of tax credits
 - *'tax credits pays too little';*
- Concern about overpayments/HMRC
 - *'worried about overpayments / past bad experience with HMRC'.*

The proportion of respondents who gave these reasons are shown in Table 2.4 below. For example, personal characteristics were cited by between 13 and 21 per cent of respondents. Around one in ten mentioned issues with the complexity of the claim and the value of tax credits.

Table 2.4: Reasons why respondents, who had not heard of tax credits, or those that had heard but think they were not eligible, would not claim even if they were eligible*

Why wouldn't you claim even if you were eligible?	
Don't want to be supported by the Government / embarrassed about needing Government support	21%
My financial matters are private / Don't want HMRC to have too much information about me	17%
Others need Tax Credits more than me	13%
The claim process is too complicated	13%
Other/Don't know	12%
Don't know how to claim	11%
Tax Credits pay too little	10%
Worried about overpayments	8%
Past bad experience with HMRC	2%
Total	110%

* More than one reason could be given so answers do not sum to 100%

Base =124 (Due to the small number of respondents being asked this question a difference between answer categories should be over 8 percentage points before it is considered significant)

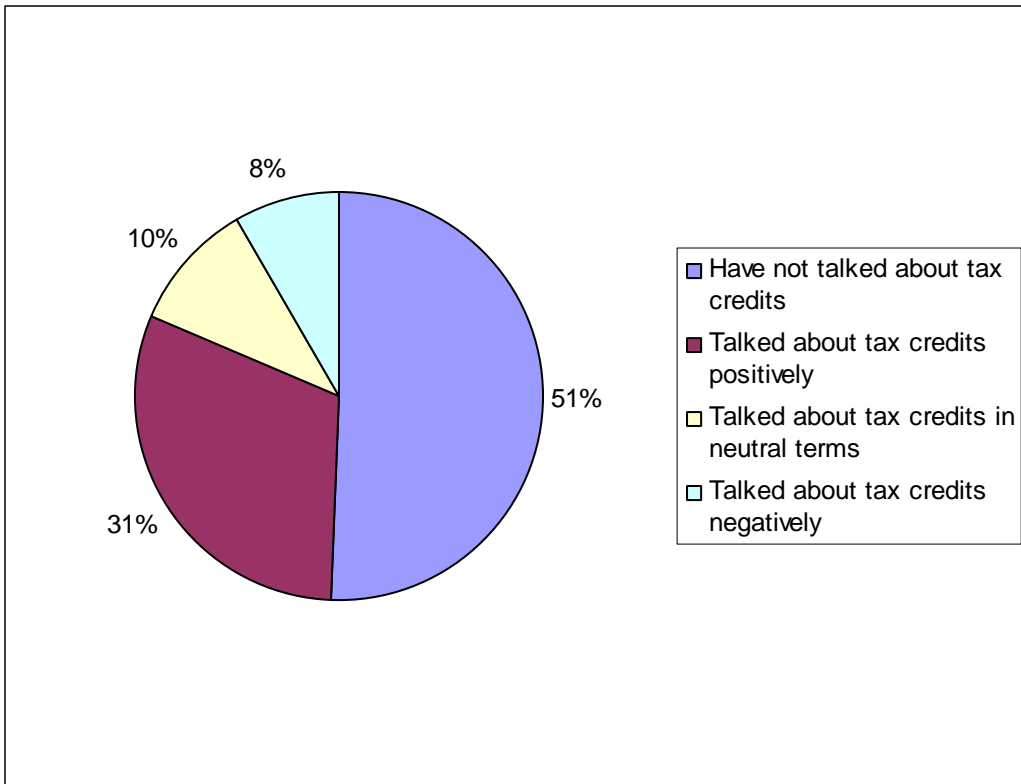
3. Influence of current tax credits recipients on take-up

As discussed, misunderstanding of the eligibility criteria was a key reason for not claiming tax credits. Other reasons given for not claiming were concerns about the tax credits system. Table 2.4 shows that worries about the complexity of the system and overpayments were mentioned by respectively 13 per cent and 8 per cent of people (who had not heard of tax credits or had heard but thought there were not eligible) as reasons they would not claim even if eligible. Existing tax credits recipients may influence these views. This potential influence was looked at in the in-year telephone survey of the 2009 Panel Study of Tax Credit and Child Benefit Customers.

3.1 What existing recipients said about tax credits

Around half of recipients (51 per cent) had not spoken to others about tax credits. Of those who had, a third (31 per cent) reported that they had spoken positively about tax credits, ten per cent had spoken about tax credits in neutral terms and the remaining eight per cent had spoken negatively about tax credits.

Chart 3.1: Messages shared about tax credits, the last time respondent talked about tax credits



2009 Telephone Wave Panel study of Tax Credits and Child Benefit Customers. All current tax credits recipients.
Base =1089

Existing tax credits recipients differed in their discussion of tax credits by whether the recipient was a single person or in a couple household and whether the recipient had experienced an overpayment (see Table 8 in Appendix B). The findings were that:

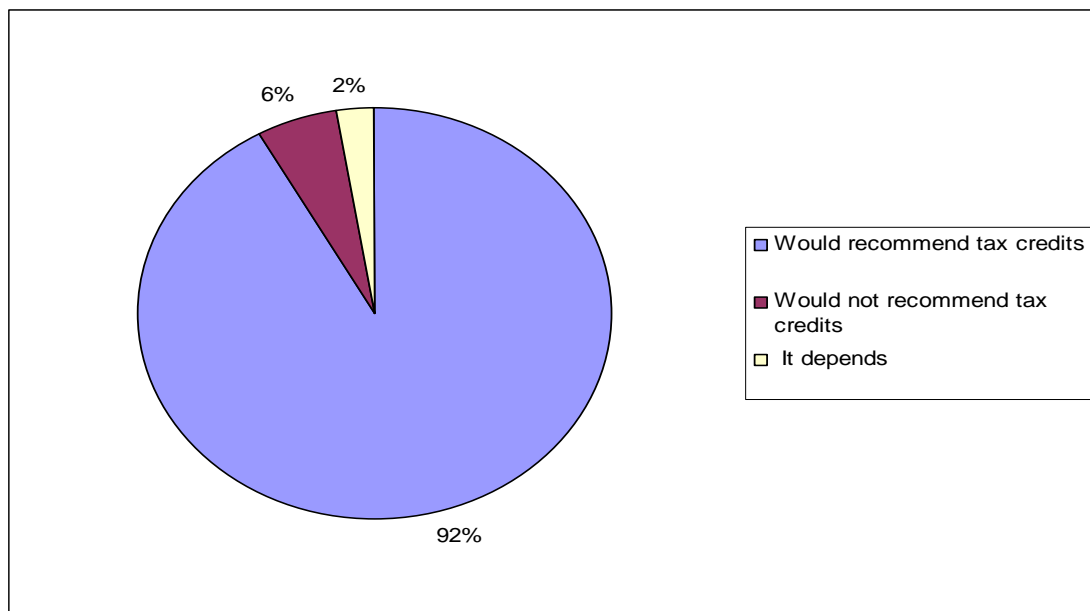
- Single households² were more likely to have spoken positively to others about tax credits than couple households (37 per cent compared with 27 per cent).
- However, recipients that had experienced an overpayment were more likely to have spoken negatively about tax credits than those that had not (12 per cent compared with seven per cent).

Further analysis will explore whether recipients on different levels of award reported speaking differently of tax credits.

3.2 Recommending tax credits

Overall, the majority of current tax credits recipients had recommended tax credits or would recommend tax credits to someone who was eligible but not claiming (92 per cent). Six per cent would not recommend tax credits and the remaining 2 per cent said that it depends (Chart 3.2).

Chart 3.2: Whether current tax credits recipients have or would recommend tax credits



2009 Telephone Wave Panel study of Tax Credits and Child Benefit Customer. All current tax credits recipients.
Base =1074

There were no differences in the recommendation of tax credits by whether the recipient was from a family containing a couple or a single person.

3.3 Child Tax Credit only recipients

Recipients who received only Child Tax Credit were asked whether they would recommend tax credits to those on low income without children. Slightly more than half of Child Tax Credit only recipients (47 per cent) said they would recommend tax credits to a person in this situation (see Table 10 in Appendix B). This proportion may be lower than those recommending tax credits overall because those who were receiving Child Tax Credit only may not be aware of the tax credits eligibility rules for those without children. More research is needed to understand the reasons for this

² Single households with and without children.

finding, it may be that those claiming Child Tax Credit did not realise that those without children would be eligible or conversely they may think that it would not be worth their while claiming so they would choose not to recommend for that reason.

4. Conclusions

4.1 Reasons for not taking-up tax credits

Many eligible non-recipients did not know they were eligible. While most eligible non-recipients of tax credits had heard of tax credits (84 per cent), there was much less knowledge of how the eligibility criteria applied to them. Eighty per cent of those who had heard of tax credits thought they were not eligible. Seventy-eight per cent of ENRs who had heard of tax credits also gave this as the main reason they were not claiming.

Other reasons played a role for some recipients. Around one in five (22 per cent) of ENRs who had heard of tax credits gave another main reason for not claiming. These reasons were split into two main areas: firstly, concerns about getting an overpayment, the complexity of the tax credits system and previous bad experience with HMRC. Views about HMRC may be influenced by the minority of existing recipients who spoke in a negative way about the system (as discussed below).³ The second kind of reason given for not claiming related to personal reasons such as a wish not to be supported by the state. These findings are consistent with insight from qualitative research conducted to explore the interaction between HMRC and people from Black, Asian and Minority Ethnic groups (HM Revenue & Customs, 2010). That research indicated that the key barriers to accessing HMRC services were perceptions of government systems as complex, frequently changing and therefore alienating. For some groups there were negative associations with government and a reluctance to engage; access was also difficult if they had limited English language ability.

People already claiming generally spoke positively about tax credits to others. The majority of tax credits recipients had either recommended tax credits or would recommend tax credits to someone who was eligible but not claiming. Around half had not spoken about tax credits to others, and about one third said they had already spoken positively about tax credits to family, friends or colleagues. Half did not offer an opinion and 8 per cent of all current recipients had spoken negatively about tax credits and could therefore discourage some eligible non-recipients from claiming. Those who had received overpayments were more likely to speak negatively but three in ten of this group had still spoke positively.

4.2 Increasing take-up

The findings in this report suggest that increasing awareness of tax credits eligibility may boost take-up but the situation is not that straightforward. It may not be easy to increase awareness further because the eligibility and entitlement criteria of tax credits are quite complicated. (Recipients of Child Tax Credit are not entitled to any payment unless they earn less the £40,000 and recipients of Working Tax Credit have to be a low earner but working full time unless they are disabled or aged 60 or over.) The number of people who claimed Working Tax Credit only has been rising but we do not have a good understanding of the factors that drive that increase or how awareness of eligibility has contributed to the growth.

³ It is also possible that some of the ENRs who chose not to claim tax credits because they were concerns about the claim process had claimed tax credits before and some of their concerns could be the results of their own negative experiences.

When ENRs (who had not heard of tax credits or thought they were not eligible) were asked if they would claim if they were eligible, most (78 per cent) said they would claim. HMRC may be able to influence awareness about eligibility criteria amongst ENRs. HMRC may also be able to address concerns about claiming tax credits, such as overpayments, but it would be more difficult to influence attitudinal barriers towards claiming benefits such as not wanting to be dependent on the state.

References

HMRC (2011). *Child Benefit, Child Tax Credit and Working Tax Credit Take-up rates*. URL: <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up2008-09.pdf>

McAlpine, C. & Thomas, A. (2008) *The triggers and barriers to the take-up of Working Tax Credit among those without dependent children*. HM Revenue & Customs Research Report 86. URL: <http://www.hmrc.gov.uk/research/report86-full.pdf>

HMRC (2010) *The experience of Black, Asian and Minority Ethnic communities with HMRC services*, HMRC. HM Revenue & Customs Research Report 116. URL: <http://www.hmrc.gov.uk/research/report116.pdf>

Appendix A – Technical Information

Tables

In the tables the percentages will generally sum to 100, however there may be some instances where percentages will not sum to exactly 100% because of rounding.

Omnibus surveys

The ONS and NatCen Omnibus surveys are probability sample surveys and have been weighted to take account of technical issues such as sample design.

Base sizes

Question	Asked of weighted base	Confidence interval
All ENR 'have you heard of tax credits'	715	Result +/- 4 percentage points
If heard 'why don't claim tax credits'	601	Result +/- 4 percentage points
If not heard or think not eligible 'would you claim if eligible'	577	Result +/- 4 percentage points
'Why wouldn't claim even if were eligible'	124	Result +/- 8 percentage points

Panel Study of Tax Credits and Child Benefit

The weighted count is the base presented in all tables.

Statistical significance was tested using logistic regression for complex samples. Unless stated otherwise, all the differences cited in the text are statistically significant at the 0.05 level.

The information presented in this report uses data from the Panel Study that has been statistically weighted to take account of the technical issues such as sample design.

Appendix B – Tables in report

Table 1: Have you heard of tax credits (Working Tax Credit or Child Tax Credit)?

ENRs	
Yes	84%
No	14%
Don't know	2%
Total	100%

Base: 715 (all ENRs)

Table 2: Why do you choose not to claim tax credits? (multiple response question)

	Percent of Cases
I think I am not eligible	80%
The claim process is too complicated	4%
Don't know how to claim	4%
Worried about overpayments	4%
Past bad experience with HMRC	3%
Don't want to be supported by Government	3%
My financial matters are private	2%
HMRC/Government would contact me if eligible	2%
Tax credits pay too little	1%
Others need tax credits more than me	1%
Only just became eligible	1%
Haven't been told to claim	0%
Other	7%
Total	112%*

*Answers do not sum to 100% as more than one answer could be given

Base: 602 (heard of TC but not claiming)

Table 3: What is the main reason you choose not to claim tax credits?

	Percent
I think I am not eligible	78
Past bad experience with HMRC	3
Worried about overpayments	3
Don't know how to claim	2
The claim process is too complicated	2
Don't want to be supported by the state	2
My financial matters are private	2
Tax credits pay too little	1
HMRC/Government would contact me if I was eligible	1
Other	6
Total	100

Base: 601 (heard of TC but not claiming)

Table 4: Reasons why eligible non-recipients do not claim tax credits

	ENRs
Think not eligible	66%
Not heard of tax credits (14%) / DK if heard of tax credits (2%)	16%
Past bad experience with HMRC	3%
Worried about overpayments	2%
The claim process is too complicated	2%
Don't know how to claim	2%
Don't want to be supported by the state	2%
My financial matters are private	1%
Other - variety of reasons each given by a minority of respondents	7%
Total	100%

Base: 714 (all ENRs)

Table 5: Whether those who have not heard of tax credits, or those that have heard but think they are not eligible, would claim if eligible*

claim if eligible?	
Yes	78%
No	15%
Don't Know	7%
Total	100%

*Respondents who had not heard of tax credits were told what tax credits were before being asked this question.

Base = 577 respondents

Table 6 Reasons why respondents, who have not heard of tax credits, or those that have heard but think they are not eligible, would not claim even if they were eligible

Why wouldn't you claim even if you were eligible?	
Don't want to be supported by the Government / embarrassed about needing Government support	21%
My financial matters are private / Don't want HMRC to have too much information about me	17%
Others need Tax credits more than me	13%
The claim process is too complicated	13%
Don't know how to claim	11%
Tax credits pay too little	10%
Worried about overpayments	8%
Past bad experience with HMRC	2%
Other/Don't know	12%
Total	110%

* More than one reason could be given so answers do not sum to 100%

Base =124 (Due to the small number of respondents being asked this question a difference between answer categories should be over 8 percentage points before it is considered significant)

Table 7: Messages shared about tax credits the last time they talked about tax credits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Have not talked about tax credits	551	50.5	50.6	50.6
	2 Talked about tax credits positively	335	30.6	30.7	81.3
	3 Talked about tax credits in neutral terms	111	10.2	10.2	91.6
	4 Talked about tax credits negatively	92	8.4	8.4	100.0
	Total	1089	99.7	100.0	
Missing	System	3	.3		
Total		1092	100.0		

Base: 1089

Table 8: Messages shared about tax credits the last time they talked about tax credits, by household type and previous experience with HMRC

		Derived: Talked about tax credits with family and friends				Total		
		1 Have not talked about tax credits	2 Talked about tax credits positively	3 Talked about tax credits in neutral terms	4 Talked about tax credits negatively	.00		
						Row %	Weighted count	Unweighted count
Household type - 2	1.00 Single	48%	37%	9%	5%	100%	370	458
categories	2.00 Couple	52%	27%	11%	10%	100%	719	639
Infomred by HM Revenue and Customs that has received too much tax credits in past 12 months	1 Yes	43%	32%	13%	12%	100%	193	218
	2 No	53%	31%	10%	7%	100%	871	857
Total		51%	31%	10%	8%	100%	1089	1097

Base: 1089

Table 9: Whether current tax credits recipients would or had recommended tax credits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Would/had recommend tax credits	988	90.4	92.0	92.0
	2 Would not recommend tax credits	60	5.5	5.6	97.6
	3 It depends	26	2.4	2.4	100.0
	Total	1074	98.3	100.0	
Missing	System	19	1.7		
Total		1092	100.0		

Base: 1074

Table 10: Would recommend tax credits to someone on a low income who does not have children

		Frequency	Percent	Valid Percent
Valid	1 Yes	447	40.9	47
	2 No	378	34.6	40
	-8 Don't Know	126	11.6	13
	Total	825	75.5	100.0
Missing	-9 Refusal	2	.2	
	-1 Item not applicable	139	12.8	
	Total	267	24.5	
Total		1092	100.0	

Base: 825