

Claimants' understanding and experiences of the tax credits renewal process

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Executive Summary

Background and introduction

HM Revenue and Customs were concerned that a proportion of tax credits claimants do not renew their claim before the deadline (set at August 30th in 2006). This failure to renew a tax credits claim in time can have an adverse effect on the claimant's award so HM Revenue and Customs commissioned BMRB Social Research to undertake a piece of qualitative research to explore claimants' understanding of the tax credits renewal process and their experiences of renewing their tax credits claim. Four secondary objectives were to:

- explore customers' tax credits renewal behaviour and understand any barriers to renewing on time;
- understand customers' financial management and the impact this might have on how they dealt with the renewal process;
- consider how to encourage customers to renew their tax credits claim on time; and
- examine how HM Revenue and Customs communicate with claimants about tax credits renewals and whether any improvements can be made with the communication process.

The study was wholly qualitative in nature and comprised 48 depth interviews with customers who had a live tax credits claim in the year 2005-2006. Respondents were selected on the basis of their tax credits renewal behaviour, the extent to which they were financially benefiting from tax credits, employment status, household composition and age.

In terms of tax credits renewal behaviour, the customers selected for the research had to have exhibited one of the following behaviours:

- renewing their tax credits claim in good time - more than a month before the renewal deadline;
- renewing their tax credits claim just in time – within a month of the deadline;
- failure to renew by the deadline, but did so within the next 30 days;
- failure to renew by the deadline, had the claim terminated but later made a new claim for tax credits;
- failure to renew by the deadline, had the claim terminated and have continued not to claim tax credits; and

- autorenewal (who have their tax credits claim automatically renewed).

Purpose and experience of the tax credits renewal process

Respondents generally understood the purpose of the tax credits renewal process to be to ensure that HM Revenue and Customs held up-to-date and accurate information on tax credits claimants' circumstances. Respondents believed that having up-to-date and accurate information would enable HM Revenue and Customs to provide the correct tax credits award and also acted as a deterrent to potentially fraudulent claims. Respondents with a claim that had 'autorenewal' status who were receiving a nil award were the least likely to understand why they needed to renew a claim.¹ This was because they felt they were not actually claiming tax credits.

Respondents were aware that they had to check that the information on their Annual Review form was correct and that they had to calculate their income for the previous year and provide details of any childcare costs they had paid. Changes of circumstances, such as marital status, age, address, employment status, and the number of hours they worked also had to be reported. However, there were respondents who were receiving a nil award who reported that they had disposed of the renewal form, often without reading it.

Respondents renewed their tax credits claim by telephone or by returning the paper form. Both methods were generally considered to be straightforward and unproblematic, though any problems that were identified are discussed later. Respondents had specific reasons for their preferences. Those who preferred to return a paper form liked this approach because they were able to read through the documentation at their leisure and felt that there was some safety in being able to make a copy of the form before returning it. Respondents whose first language was not English preferred this method as they could ask relatives or friends to help translate for them.

By contrast, those who preferred telephone renewal did so because it was faster and the helpline staff would ask questions to make sure that all the information required would be obtained.

Reasons for renewal behaviour

¹ 'Autorenewal' respondents either claim the family element of Child Tax Credits only or have a zero award (because their annual income is too high or because of other personal circumstances).

Respondents who renewed their tax credits claim in good time or just in time said they did so because of a preference for having household finances in order and dealing with such issues *'as they come'*. They were generally very reliant on tax credits for the financial health of their household. These respondents had a very ordered financial management system and had usually renewed their tax credits claim before the deadline. There were some respondents in this group who had renewed late in the past, but the experience of having to pay back an overpayment had left them determined to renew promptly in the future.

Respondents who renewed their claim just in time also tended to have a good financial management system but were either much less reliant on the money received or had a 'just in time' approach to life generally.

Renewals 30 days after the deadline tended to be as a result of being inherently disorganised, forgetful or else these respondents had a tendency to *'put things off'*, especially regarding the management of household finances. They were less reliant on tax credits as a source of income, but nevertheless saw them as a useful addition to the household finances. Additionally there were other issues that made it more likely that they would renew their tax credits claim late, or fail to renew entirely. These were:

- a view that the length of the tax credits renewal form was daunting and required a lot of detailed information;
- the responsibility of caring for the household was felt to be overwhelming such that general household management tended to be neglected;
- a perception that, during the period in which an overpayment is being paid, claimants were ineligible for tax credits;
- a perception that the financial gain from tax credits was small – a view held only by those on a low award; and
- a lack of recall or confusion about the deadline for renewal.

Information and help sought in order to renew a tax credits claim

Not everyone in the study had sought additional guidance when completing the renewal form. However, for respondents who did seek help, the queries they had included:

- understanding what to do with the renewal forms received;
- clarifying a question about the form or renewal process;

- checking the deadline for renewing their claim;
- accessing help to complete the form;
- finding out how to report a change in circumstances as a result of receiving the renewal pack;
- clarifying whether Part 2 of the Annual Declaration ('taxable social security benefits') applied only to those benefits stated on the form; and
- finding out what to do on missing the renewal deadline.

Some of the queries were answered by reading the Guidance Notes sent as part of the renewal pack. Others were dealt with by contacting the HM Revenue and Customs helpline, requesting written guidance, visiting an HM Revenue and Customs enquiry centre or using the department's online services.

A wide range of factors were responsible for determining the type of guidance a respondent would prefer to use. They included:

Preference for the Guidance Notes

- When the respondent was comfortable reading the Guidance Notes or written information.
- When the respondent wanted a written record of information to keep for future reference.
- When the respondent was familiar with the Guidance Notes due to having referred to them previously.
- When English was a second language for the respondent.
- When the respondent was not prepared to pay to call the helpline.

Preference for HM Revenue and Customs' helpline

- When the respondent wanted an answer to a query regarding their own personal circumstances.
- When the respondent was anxious that they might make an error and provide incorrect information on the renewal form.

Preference for face-to-face guidance

- When the respondent preferred speaking to someone face-to-face.

- When English was a second language for the respondent.

Taking these factors together, there was a general preference for telephone guidance as it was both fast and personalised. However, all the other methods of providing guidance had their advocates.

Advice and guidance was also obtained from other sources such as Jobcentre Plus, local authorities and the Citizens Advice Bureau. Respondents who used such sources would almost always use them instead of, rather than in addition to, guidance from HM Revenue and Customs. These sources of help and guidance were considered to provide a very good service.

Potential improvements to the tax credits renewal process

Respondents suggested a wide range of improvements to the renewal process. These are presented in the report without taking into account the cost implications of the suggestions.

Respondents proposed the following enhancements and improvements:

- simplification of the Guidance Notes, using less complex language and using a more *'friendly'* format;
- sending out a checklist of changes of circumstances in a postcard to claimants before the Annual Review and Annual Declaration form. If no changes were reported then that was the end of the process; any changes reported to HM Revenue and Customs would trigger the despatch of a claim renewal pack;
- the provision of an online facility to handle renewals; and
- further promotion of the telephone helpline. Respondents described welcoming postal advertisements of the service.

Respondents were asked about the length of the renewal period. Overall, they thought that the period of up to three months was too long and that gave claimants the opportunity to put the form aside and forget about it. One month was considered to be an acceptable period of time. With this in mind, respondents were asked what would enable people to renew in a more timely manner. The following suggestions were made:

- issue reminders of the deadline through television and radio advertising, or by post, email or telephone;²
- provide longer helpline opening hours so that those who preferred to deal with HM Revenue and Customs by telephone could do so after office hours and once the children had been settled for the night; and
- provide more face-to-face support which was seen to be vital for claimants whose first language is not English and for people with disabilities or learning difficulties.³

Finally, respondents were asked about two potential proposals regarding reporting changes of circumstances. These were:

- providing a list of the changes reported by the claimant over the year on the Annual Review form; and
- the opportunity to report future known changes when renewing.

Respondents were generally very supportive of the first proposal because they felt that it would act as a reminder and would also provide reassurance that previous changes of circumstances reported to HM Revenue and Customs had been recorded.

The second proposal was not well supported, partly because respondents thought it would 'jinx' their occurrence and partly because they worried about what would happen if the change did not materialise; they were concerned that this could lead to an overpayment. However, reporting a future change in circumstance was considered acceptable for a '*known quantity*', such as reporting a child's age which left the claimant ineligible for CTC.

² The date of the deadline for renewing tax credits claims in 2006 was advertised on television, radio and online.

³ HM Revenue and Customs Enquiry Centres [can provide personalised advice on renewal queries](#).

1 Introduction

1.1 Background

1.1.1 The policy context

In April 2003, the Government replaced Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) with two new tax credits, Working Tax Credit (WTC) and Child Tax Credit (CTC). These formed the central component of the Government's programme of tax and benefit reform, which itself is underpinned by three over-arching objectives:

- to provide adequate financial incentives to work;
- to reduce child poverty; and
- to increase financial support for all families.

The new tax credits were much more far-reaching in their scope and coverage and were designed to meet the needs of a wider range of claimants than the previous tax credits system. Working Tax Credit incorporated a new claimant group in its provision of tax credits, those in work *without* children, whereas previously WFTC was available only to those in work *with* children. WTC also offers financial support to those with disabilities; this is provided through the disability element of WTC. Child Tax Credit simplified support available for families with children. Prior to the introduction of CTC

there were four main ways in which families could receive financial support for their children, but the introduction of CTC simplified this arrangement, so that all support could be channelled using two sources: child benefit and CTC.

Take-up rates of WTC and CTC have been high. Initial estimates suggest that, in its first year of operation, around 80 per cent of families eligible for CTC claimed. This compares with 65 per cent in the first year of WFTC and 57 per cent in the first year of Family Credit⁴ (the predecessor of WFTC). This high level of take-up has ensured that in April 2007, 6.0 million families, containing 10.1 million children, were tax credit recipients or were receiving the equivalent child support though benefits.

1.1.2 The tax credits process

Tax credit awards are designed on an annual basis and follow the tax year cycle, running from April 6th to April 5th of the following year. Claims are reviewed and renewed at the end of each tax year. The renewal process allows HM Revenue and Customs to finalise the awards for the tax year that has just past and to set up the basis of claimants' awards for the new tax year.

WTC and CTC were developed to improve certain aspects of the previous tax credit system. In particular, the new tax credits were designed to be more responsive to changes in family circumstances. The Government felt that the previous system of WFTC did not do this, as it was paid as a six-month fixed award, determined according to family circumstances and a snapshot of income at the point of the claim. The general rule was that once a claim had been made it remained fixed for six months, regardless of what happened to the family's circumstances within that time. In contrast to the previous system, WTC and CTC were designed to tailor support to families' specific circumstances, and to respond to their changing needs, in order to *'provide support to those most in need, at the time when they most need it'*.² To enable them to be more responsive to changing circumstances, awards for WTC and CTC are based on two factors.

- **Current circumstances** – HM Revenue and Customs' records of claimants' current circumstances are based on information which claimants submit when making a claim, renewing a claim or reporting a change of circumstance.

⁴ Family Credit ran from April 1988 to October 1999 when it was replaced by Working Families' Tax Credit.

⁵ The Child and Working Tax Credits: the Modernisation of Britain's Tax and Benefit System. HMT (2002).

- **Gross household income for the previous tax year provided by the claimant** (the income of claimants who claim as a couple is jointly assessed).

If household circumstances do not change (or are not reported) and there are no significant changes in income, then the award will continue at the level set at the start of the tax year until the end of the tax year. However, in a number of cases, claimants will experience a change of circumstances or income, which could influence their tax credits entitlement. Since November 2006, it is mandatory for claimants to report certain changes of circumstances within thirty days of them occurring. These are:

- changes in the adults heading a household;
- significant changes in the cost of 'qualifying childcare';
- the claimant or partner (or both) leaving the UK permanently or for a temporary absence of more than eight weeks (12 weeks in the case of the death of a relative or the illness of the claimant or a relative);
- when a claimant or the claimant's partner ceases to work at least 16 or 30 hours a week; and
- changes to the number of children supported by the household.

There are a number of other changes of circumstance which are not presently mandatory to report, but which HM Revenue and Customs actively encourage claimants to report as they may have an impact upon the amount of tax credits to which a claimant is entitled. If claimants do not report these changes within a year, they may find that they have received more or less money than they were entitled to when their award is finalised.

1.1.3 The renewal process

Tax credit awards are reviewed and renewed each year. At the end of the tax year, claimants are sent an Annual Review form which details their income and circumstances for the year just finished. All households except those on the family element of CTC or those on a nil award (see information on these groups within the auto-renewals section below) will also receive an Annual Declaration form which asks claimants to provide details of household income in the previous year. Claimants must complete the Annual Declaration form and also inform HM Revenue and Customs of any changes in personal circumstances from those detailed in the Annual Review form.

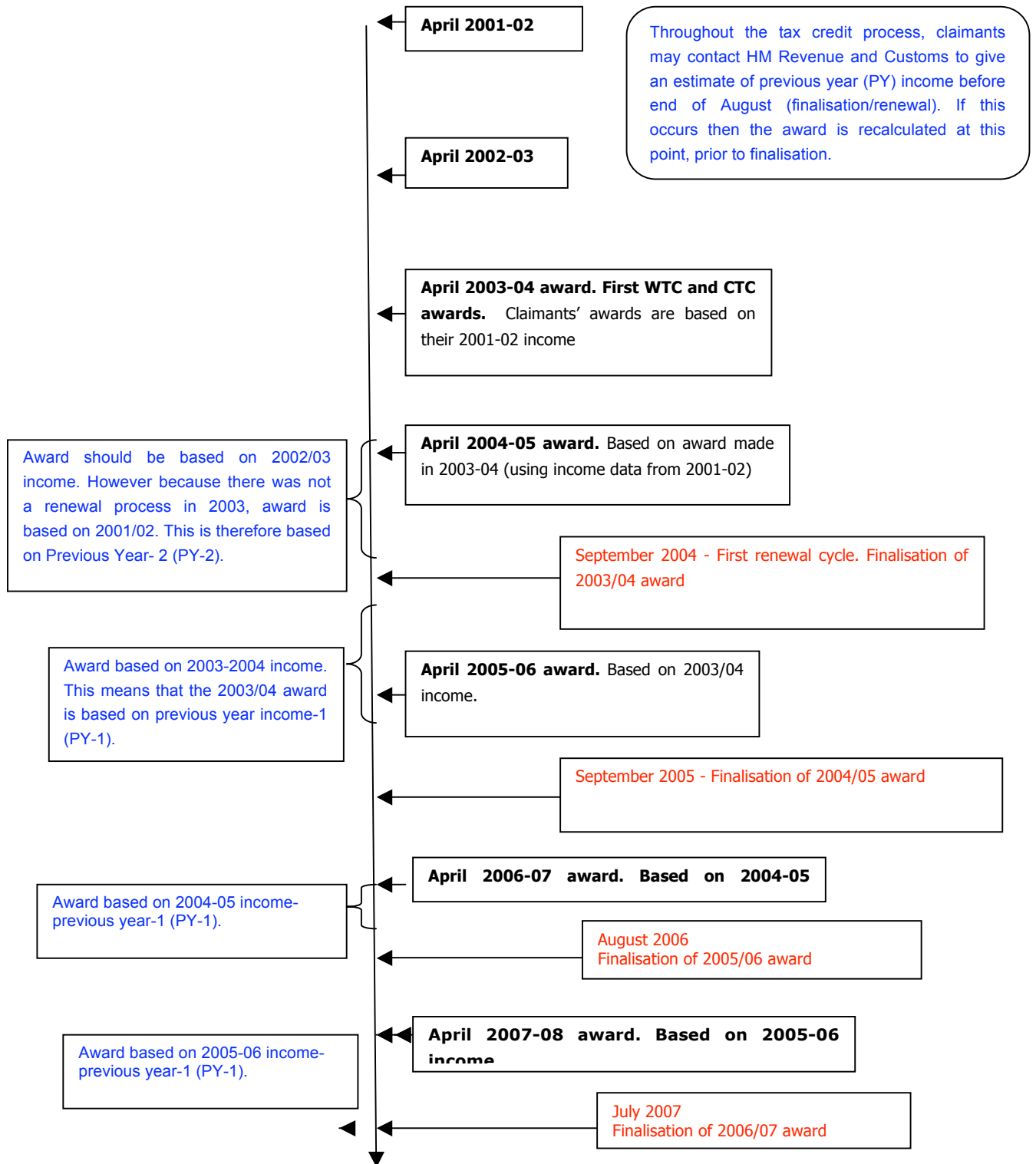
The Review and Declaration forms are sent out between April and June each year. Once claimants receive a renewal form, it may take them some time to get the necessary information together before they can provide the details required. For example, they may have to wait to receive a P60 from their employer. Claimants are therefore given a period within which they are able to submit their renewal form.

HM Revenue and Customs continues to pay claimants a provisional award during the renewal period. That provisional award is based on their previous year's entitlement. To try and reduce the possible length of time that claimant's payments may be based on potentially out-of-date information, HM Revenue and Customs have shortened the length of the renewal period from six months to five months in 2006. The Chancellor announced within the 2006 Pre Budget Report that the renewal period will be shortened further to four months, so that claimants in 2007 must renew by the 31st of July rather than 31st of August as was the case in 2006.

The renewal process allows HM Revenue and Customs to finalise the award for the year that has just past by cross-checking actual income and picking up any changes that have not been notified during the year. The renewal details received by HM Revenue and Customs by the renewal deadline will then form the basis of claimants' awards in the award year that has just started. If claimants return their renewal forms before the end of the renewal period, their claim will be backdated to 6th April of that tax year.

The diagram on the next page illustrates the timeline of the current award and renewal system.

The Tax Credits Process



Late renewals

If claimants do not send back their renewal forms by the renewals deadline their claim will be terminated and they will be required to repay any overpaid tax credits they have received. If the claimant has not renewed but has what HM Revenue and Customs

perceive to be a 'good cause' then their claim could be backdated to April of that tax year.

Claimants who have their tax credits awards terminated and subsequently make a new claim may only have their payments backdated by 3 months.

Auto-renewals

Some claims are renewed automatically. These include claims from families who receive only the family element of CTC or who have a nil award.⁵ They are sent an Annual Renewal form but not an Annual Declaration form. Auto-renewal claimants are asked to check that the details on the Annual Review form are correct and inform HM Revenue and Customs of any changes of circumstances. If the circumstances of those on the family element or those with nil award have not changed and they do not think they will in the forthcoming year, then they do not have to do anything further and do not need to send their form back to HM Revenue and Customs. Their award will be automatically renewed on the basis of their previous year's entitlement.

1.1.4 The value of this research

The discussion so far indicates that the sooner the claimant is able to submit their renewal details or report a change of circumstance, the earlier HM Revenue and Customs can update the claimants' records and adjust their tax credits award to reflect their current circumstances and therefore minimise the likelihood of an under- or overpayment. It is currently not possible to ask claimants to renew their claims earlier than the end of the tax year in April, as they need to receive their P60s in order to provide detailed household income information. Nevertheless, HM Revenue and Customs would like to encourage claimants to renew their claim as early in the renewal period as possible because this will reduce the likelihood of under- or overpaying claimants.

It is HM Revenue and Custom's responsibility to develop the operational design of the system and to consider and introduce design changes that encourage or help claimants renew their claim. This research was designed to provide evidence to increase the Department's insight of claimants' understanding of tax credits in general and the renewal process in particular. The evidence provided by the findings of this

⁵ Claimants who have a nil award have claimed tax credits and are still eligible but they are receiving a zero award based on their circumstances and their annual income.

research will be integral to the development of the operational system for delivering tax credits and to enhancing the Department's understanding of its customers.

1.2 Aims of the research

The overarching aim of this research was to examine customers' understanding of the tax credits renewal process and their experiences of renewing their tax credits claim. The specific objectives were to:

- explore the reasons behind customers' behaviour with regards to renewing their tax credits claims and understand any barriers to renewing on time;
- understand how customers deal with their household financial management and how this has an impact on how they deal with the renewal process;
- consider how customers could be encouraged to renew their tax credits claim on time; and
- examine how HM Revenue and Customs communicate with claimants about tax credits renewals and whether any improvements can be made.

1.3 Research design

The methods used in this research were wholly qualitative in nature. In-depth interviews were deemed most appropriate for this research as they allowed for individual experiences and views to be explored in detail. The purposive nature⁶ of the sample design meant that the research cannot provide any statistical data relating to the prevalence of these views, experiences or reflections in the general population. Any attempt to provide numerical evidence of this kind would require a quantitative research methodology. The aim of qualitative methods is to define and describe the range of emerging issues, rather than to measure their extent.

As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population in order to identify and explain variations in the experiences and views between them. Purposive sampling was used to structure a sample of 48 respondents around the behaviour adopted for the renewal of their 2005-2006 tax credits claim to continue it into 2006-2007, namely:

- renewing the tax credits claim in good time - more than a month before the renewal deadline⁷;

⁶ A purposive sample is one that is chosen by intentionally seeking respondents likely to provide greater understanding of the research topic.

⁷ For the purposes of this piece of research, 'deadline' refers to 30 August 2006.

- renewing the tax credits claim just in time – within a month of the deadline;
- failure to renew by the deadline, but doing so within the next 30 days;
- failure to renew by the deadline, having their claim terminated but later making a new claim for tax credits;
- failure to renew by the deadline, having their claim terminated and continuing not to claim tax credits; and
- auto-renewal (where the tax credits claim was automatically renewed).⁸

Additional recruitment criteria were used to ensure a diverse sample. These were:

- **extent to which the household benefits from tax credits:**
 - Households that are in work and have no children (*WTC only*)
 - Households not in work and in receipt of the maximum award of CTC only (*no work - CTC maximum award*)⁹
 - Households that are in work and receive more than the family element of CTC (*CTC > family element but less than the maximum award*)
 - Households that are receiving less than the family element of CTC (*CTC < family element*)
 - Households receiving the family element of CTC only (*autorenew: CTC family element*)
 - Households that are not positively benefiting from tax credits as their earnings take them above the earnings threshold (*autorenew: nil award*)
- **employment status:**
 - unemployed
 - working full-time
 - working part-time
- **household characteristic of respondent at the time they renewed their 2005-2006 tax credits claim:**
 - single

⁸ These respondents claim the family element only of CTC or have a nil award.

⁹ In the quotation references, the extent to which households benefit from tax credits will be described as per the terms in parenthesis.

- couple¹⁰
- **age:**
 - 18 to 35 years old
 - 36 and over

1.4 The interviews

The main purpose of the in-depth interviews was to explore respondents' experience of the renewal of their 2005/6 tax credits claims.

All of the in-depth interviews were exploratory and interactive in form and were based on a topic guide (see Appendix C), which allowed questioning that was responsive to the issues which arose in the course of the interview. Using in-depth interviews allowed for detailed exploration regarding how claimants deal with the tax credits renewal process and the reasons behind their behaviour.

The interviews lasted approximately 60 minutes and were undertaken during March through to May 2007. Respondents were interviewed in their home, or wherever was most appropriate for them. Respondents could also opt to have an advocate present at the interview. This was taken up by a respondent with a hearing impairment who required a signer and others who spoke only basic English and needed an interpreter. Respondents were shown an Annual Review form and Annual Declaration form, completed with fictitious claimant details, and the tax credits renewal guidance notes for reference during the course of the interview.

All interviews were digitally recorded, with permission, and transcribed verbatim to allow detailed analysis.

1.5 Analysis and presentation of findings

The transcribed interviews were subject to a rigorous content analysis (Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes within a thematic framework. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the evidence reported in the following chapters. Further details of the analytical process used may be found in the Technical Appendix (Appendix A).

¹⁰ Where possible, respondents recruited as a couple were interviewed with their partner.

The findings have been illustrated with the use of verbatim quotations, case studies and examples. The quotations have been edited for clarity but care has been taken not to change the respondents' meaning in any way - alterations are shown using parenthesis and ellipses.

1.6 Sample profile

A total of 48 respondents took part in the research. The achieved sample is shown in the table below:

Total	48
Renewal behaviour	
Renewed on time	7
Renewed just in time	8
Renewed late but claimed in 30 days	11
Failed to renew but made new claim	8
Failed to renew and did not reclaim	8
Auto-renewal	6
Extent of benefiting from tax credits	
WTC only	10
No work – CTC maximum award	11
CTC > Family Element	12
CTC < Family Element	9
Auto-renew: Family Element	2
Auto-renew: nil award	4
Employment status	
Not working	12
Working part-time	16
Working full-time	20
Household characteristic	
Single	17
Couple	31
Age	
18-35	18
36+	30

A more detailed sample matrix may be found in the Technical Appendix (Appendix A.)

1.7 Report outline

Following this overview of the objectives, design and conduct of the research, the subsequent four chapters discuss the research findings in detail.

- **Chapter 2** examines respondents' experiences of renewing their tax credits claim and the reasons given for their renewal behaviour.
- **Chapter 3** focuses on the information and help sought by respondents in renewing their tax credits claim.
- **Chapter 4** considers respondents' suggestions for improvements to the renewal process.
- **Chapter 5** reflects upon the key messages raised in the report and draws conclusions arising from the research.

2 Experience of the tax credits renewal process

This chapter examines respondents' experience of the tax credits renewal process, with particular emphasis on the renewal of their 2005-2006 tax credits claim into their 2006-2007 award. Respondent understanding of the purpose of the tax credits renewal process is explored first, followed by a description of the actions that were prompted by the receipt of the renewal documentation. The process of renewing and the reasons behind the nature of respondents' renewal behaviour will then be explored in detail.

2.1 Perceived purpose of the renewal process

Respondents generally said that they understood the purpose of the renewal process and felt that the aim of the process was to ensure that HM Revenue and Customs held up-to-date and accurate information on tax credit claimants' circumstances. According to respondents, this was achieved by asking claimants to check the information held and reporting any changes relating to employment, income, children and partnerships. However, some respondents thought that HM Revenue and Customs needed to be informed of their expenditure too.

Respondents thought that providing accurate and up-to-date information on their circumstances was necessary for two reasons:

- **to guarantee claimants were awarded the correct tax credits entitlement and**
- **to safeguard against fraudulent claims.**

It was widely recognised that the renewal process could lead to the alteration of a tax credit award to correspond with a change in respondent's circumstances:

[The purpose is] just to refresh your details and update their [HM Revenue and Customs'] system as to, you know, what you're entitled to.'

(Interview 18: renewed just in time, WTC only, 36+, working full-time, single)

Respondents' general understanding was that this process would minimise the risk of them having to pay back an overpayment.

The renewal process was also felt to be a means to ensure that claimants did not '*fiddle*' the system and receive money to which they were not entitled:

‘I think ... they [HM Revenue and Customs] want to see evidence that ... the information is correct ... and also if you haven’t given the right information you can be prosecuted for such things.’

(Interview 24: failed to renew and did not reclaim, no work – CTC maximum award, 18-35 years old, unemployed, single)

However, there were respondents who did not understand the purpose of the renewal process, particularly those who had their tax credits claim automatically renewed as they received a nil award. As well as being unsure as to its purpose, they considered the renewal process to be unnecessary and irrelevant to them as they felt they were not actually claiming tax credits since they were not receiving any payment. In some instances this view was compounded by a misunderstanding of the eligibility criteria for tax credits. One respondent did not understand why she had to have any involvement in the renewal process as she felt she was now permanently ineligible for tax credits, as she no longer had dependent children and would not have in the future:

‘[The renewal process is a] complete waste of money. Especially if I’m down as a nil [award] ... they [HM Revenue and Customs] should just not send them [the Annual Review form] out ... I mean we can’t claim unless I have a child anyway and I certainly won’t have a child ... They could send us just a letter or something each year to confirm that we’re still nil.’

(Interview 42: auto-renewal, nil award, 36+, working full-time, couple)

2.2 Actions prompted by receiving renewal forms

As discussed in the previous section, respondents generally understood that the renewal process was a means to ensure that HM Revenue and Customs was fully informed about tax credits claimants’ circumstances, and that this necessitated claimants reporting any unreported changes that had occurred in the previous tax credits year during the renewal period. As a result, respondents were aware that they had to check that their Annual Review form contained correct information on their personal circumstances and that they had to calculate their income. The circumstances that respondents believed that they were required to check included their marital status, age, address, employment status, and the number of hours worked. Respondents who had renewed before the deadline demonstrated a particularly good understanding of what information needed to be checked:

‘... we read through it because it could hold some wrong information about us and our current situations ... I always read it ... What we check is the annual

income ... our current status and whatever – married, and how old we are, where do we live and what do we do [for a living].’

(Interview 9: renewed just in time, no work – CTC maximum award, 18-35 years old, unemployed, couple)

Respondents with children, of a range of renewal behaviours, generally understood that they also needed to check details relating to their children, including any childcare costs they paid.

Respondents who had their tax credits claim renewed automatically were generally aware of what they needed to do when they received the Annual Review form. They reported that they should check their personal circumstances and reply only if these had changed. One respondent described how she had been reminded of the need to report that her child had moved out of full-time education as a result of receiving and checking the Annual Review form. Respondents highlighted however that they did not necessarily read the Annual Review form in great detail. If they knew that their circumstances had not changed since the last time they reported a change to HM Revenue and Customs they tended to skim read the form.

However, there were also respondents who were in receipt of a nil award that disposed of the Annual Review form without checking it. This related to a lack of understanding of the purpose of the renewal process. As discussed in the previous section, these respondents no longer considered themselves to be tax credits recipients and so were unaware of any procedures they should follow.

Case study 1: Auto-renewal, nil award, 36+, working full-time, couple.

Yvonne lives with her husband, Gary, and their 22-year-old daughter, who is at college. Yvonne is retired and Gary works in construction for about 35 hours a week. They claimed WTC and CTC in the past but no longer benefit from it in monetary terms because their income is such that their award has been tapered to zero. As far as they are concerned they no longer claim WTC or CTC but realise they are still on HM Revenue and Customs’ *list* as they continue to receive an Annual Review form each year. They threw the form in the bin without checking their personal circumstances and were not aware of the requirement to check these details as they do not consider themselves to be tax credits claimants.

Whilst Yvonne and Gary understand they receive a ‘nil award’, they feel that receiving the renewal pack each year is a waste of government money, and to check it would be a waste of their time. That is because they perceive their household as ineligible for tax credits as they do not have any dependent children, and will not have in the future.

2.3 Process of renewing tax credits

Tax credits were either renewed on paper by posting the completed Annual Declaration Form or through calling the HM Revenue and Customs' helpline. Respondents were very definite as to their preference and their chosen renewal method appeared to mirror the way they made other submissions such as the payment of utility bills.

2.3.1 Renewing on paper

Those who renewed their tax credits claim on paper generally found the process to be '*pretty straightforward*' and a vast improvement over having to complete the initial claim form:

'I think for the very first one, there was a lot more information, obviously on the initial claim, it was certainly more substantial and certainly when I photocopied it, it was probably more than 10 pages to photocopy. But this one is just two or three figures, and a yes / no box and a signature isn't it? So it is quite straightforward.'

(Interview 17: renewed late but claimed within 30 days, WTC only, 36+, working full-time, single)

Respondents who opted to renew on paper welcomed how this enabled them to put time aside to '*digest*' what was required from the renewal, and work through the form methodically, ensuring they completed the form accurately. This was particularly true of those who had renewed in good time and is consistent with their approach of having things '*right*' (see section 2.4.1 for further discussion).

Similarly, respondents whose first language was not English preferred this approach as they found it easier to read English than understand it over the telephone; renewing on paper allowed them to complete the form at their own pace, using a translating dictionary if required. Communication problems between these respondents and staff at the HM Revenue and Customs' helpline had discouraged them from renewing by phone.

Those advocating renewing on paper had also found some comfort in having the form completed in '*black and white*' because that enabled them to make a copy of it for their records. There was some trepidation surrounding renewing by telephone amongst these respondents. They were concerned that there was no way for them to record that they had contacted HM Revenue and Customs to renew their tax credits claim. Such worry stemmed from the concern that if their renewal information was not logged, HM Revenue and Customs would have not had a record of them renewing and this

would put them at risk of being under- or overpaid or losing their entitlement to tax credits entirely.

2.3.2 Renewing by telephone

Telephone renewal was described both as straightforward and unproblematic by those who preferred to renew their claim using this method:

‘I keep everything together and ... I know I’ve just got to pick up one folder and make a phone call ... If I’m asked some obscure question I know that all the paperwork is there ... [The renewal] was one phone call ... It’s all pretty straightforward I think.’

(Interview 23: renewed on time, CTC < family element, 18-35 years old, working full-time, couple)

Telephone renewal was felt to be less time-consuming than having to complete a paper renewal. It was favoured particularly by respondents who had been late renewing their tax credits claim as they valued the speed with which renewal could be achieved. These respondents were generally aware that they had narrowly missed the deadline and had become concerned about being under- or overpaid or losing all entitlement to tax credits; a quick renewal process was therefore hugely valued at this time. One respondent described how she had started to renew on paper before finding out she could renew by phone. As she was aware she had missed the deadline she had been very relieved on discovering this:

‘I think what took the most time, was just finding the information - digging it up. I think I started to complete it, to complete it in hand-written form, but then realised I could do it over the phone, and that would save time, because I was already running late.’

(Interview 3: renewed late but claimed within 30 days, CTC < family element, 18-35 years old, unemployed, couple)

This respondent also found it easier to renew by phone as the staff were able to help her where she had been experiencing difficulties with the paper form. For example, an adviser directed her to precisely where she was meant to look on her P60 in order to calculate her income.

2.4 Reasons behind renewal behaviour

This section examines the key drivers behind a range of tax credits renewal behaviours. It will also explore reasons for respondents' failure to renew their tax credits claim, as well as any subsequent new claims made for tax credits.

2.4.1 Reasons for renewing before the deadline

This section refers to respondents who renewed in good time and also those who renewed just in time. Where evident, any differences between these two groups will be highlighted, although generally both viewed their renewal behaviour as responsive and prompt. Those who had renewed just in time did not necessarily consider themselves as having renewed close to the deadline.

The main impetus for respondents renewing their tax credits claim on time was a preference for having household finances in order and dealing with such issues '*as they come*'. These respondents had generally always renewed their tax credits claim before the deadline, but where they had not, having to pay back an overpayment as a result of failing to renew on time had left them determined to renew promptly in the future. The efficiency demonstrated by these respondents in dealing with their tax credits renewal was reflected in their management of household finances more generally (see Appendix D3.2 for further discussion):

'[I renew] usually within a couple of days ... Because I know that it's sorted then and it's done ... I'm pretty methodical, I keep everything together ... It's the way that I am and, you know, like I say I like to deal with things and make sure they're out of the way.'

(Interview 23: renewed in good time, CTC < family element, 18-35 years old, working full-time, couple)

Interestingly, those who renewed in good time were so keen to be prompt that they made justifications if they happened to have ignored the form for a '*few days*' after they received it, despite having renewed their claim well in advance of the deadline:

'I generally sort of put it to one side and try and forget about it for a little while and then I think oh I better do that ... because we just can't bear the thought of sitting and going through all those questions ... I'd just rather be doing something else really ... It's really not that long because it nags at me and I know it must be done. So I might ignore it for a few days.'

(Interview 12: renewed in good time, CTC < family element, 36+, working part-time, couple)

Such punctuality stemmed from an overarching concern about the consequences of missing deadlines related to household finances. This tied in with the degree of financial importance placed on the receipt of tax credits. Those who renewed on time generally described themselves as being very reliant on tax credits (see Appendix D1.2 for further discussion) and were worried that if they renewed late they risked being under- or overpaid or would lose their entitlement to tax credits entirely. As these respondents tended to consider tax credits essential to their household's financial well-being, any disturbance to their claim would not have been welcomed.

On the other hand, there were those in receipt of what they perceived as a small entitlement who did not prioritise renewing their claim before the deadline as they were unconcerned about potential delays to receiving their tax credits or losing their entitlement:

'Is there a reason why it took me so long? Because it's not a priority ... when you're getting £11 a week it's not a priority for you. If you're a low income family earning seven to 10 grand a year and it pays 70 per cent of your childcare then I guess it is a priority for you. It's not a big enough amount of money for me for it to be an incentive, even £20 a week would [be] more of an incentive to me, [but] that much money is not an incentive at all.'

(Interview 13: renewed just in time, CTC > family element, 18-35 years old, working full-time, couple)

In contrast to the efficiency demonstrated by those who renewed in good time and those who renewed more than a week before the deadline, some respondents who had renewed within days of the deadline described themselves as having a typically '*last minute*' approach to matters relating to household finances:

'I think that's just the way I am. Yes I'm a bit - I'm not so haphazard that I wouldn't fill it in on time because it's very rare that I've not paid my bills on time ... but we tend to be more towards being a last minute time frame kind of thing. That's just the way I am.'

(Interview 36: renewed just in time, CTC < family element, 18-35 years old, working part-time, couple)

Some of the respondents who had renewed on time had received the documentation to renew their 2006-7 tax credits claim days before taking part in the research. Though

they had yet to renew their claim at the time of the interview, they intended to deal with it *'straightaway'*, as they had done in previous years.

2.4.2 Reasons for renewals 30 days after the deadline

Respondents who were late in renewing their claim explained that their late renewal was the result of being inherently disorganised, forgetful or due to a tendency to *'put things off'*. These respondents described how they tended to adopt these approaches to financial matters:

'I was maybe like two weeks late or something ... not because it took me too much time to do it because there was not much calculation on it anyway, especially the Working Tax Credits, I don't think there is too much to write down or calculate or anything. I think that just I was a bit careless ... I did forget and then some time I just realised.'

(Interview 33: renewed late but claimed within 30 days, CTC > family element, 36+, working part-time, couple)

These respondents generally saw tax credits as a useful rather than essential contribution to their household income (see Appendix D1.2 for further discussion) and this could have affected the priority they placed on renewing their claim. However, a range of other factors also contributed to their behaviour. These factors were:

The level of detail required by the renewal form

There were respondents who renewed late that considered the renewal process to be *'quite daunting'*. This was due to the amount and nature of the information that claimants were required to gather together and also because of the length of time required to read through and complete the forms. These demanding requirements had led respondents to procrastinate when it came to completing the form:

'I never do anything straightaway ... I just put it off, I don't know why I put it off ... I don't know, maybe it's [because it's] taking me a such a long time to fill it in, I think that's what it is.'

(Interview 35: renewed late but claimed within 30 days, in work – CTC > family element, 18-35 years old, working part-time, couple)

Caring responsibilities

There were respondents who said that they had forgotten to renew by the deadline because they had to look after their children. This responsibility had reduced the time available to gather the information they needed for the renewal:

‘... anything to do with school and the children I try and do immediately, but I do have a bad memory and I do lead a busy life with three [children] ... I think it was just the fact that I had to find things in the filing cabinet and look it all up and it took fair bit of time to do that, so it wasn’t something that you could quickly fill in, you know you had to get the information to fill it in. So I kept putting it off, cos I wanted to be able to wait until I had a block of time to do it.’

(Interview 3: renewed late but claimed within 30 days, CTC < family element, 18-35 years old, unemployed, couple)

Confusion surrounding the deadline

Other respondents who renewed late were adamant that they had renewed their claim on time. However, when they were asked when the deadline was in the course of the interview, they were unable to recall it, and conceded that this lack of awareness could have resulted in the late renewal.¹¹

2.4.3 Failing to renew and getting terminated

Four reasons were given for failing to renew a tax credits claim before the deadline.

Reasons given by those that failed to renew but made a new claim:

- difficulties encountered when gathering the information required to renew the claim;
- mismanagement or forgetfulness; and
- and, a perception of ineligibility.

Reason given by those that failed to renew and did not make a new claim:

- a perception that the financial gain from receiving tax credits was not large enough to make renewing worthwhile.

It is important to note that failure to renew was an unintended action for respondents who had difficulties gathering the necessary information and those who had forgotten or mismanaged the renewal.

¹¹ The interviews took place nearly a year after the renewal period for the 2005-2006 tax credits claims so it is understandable that some respondents could not remember the date by which they had to renew their claim.

Each of the four reasons outlined above will be discussed in detail below alongside the reason, if applicable, why some of the respondents subsequently made a new claim for tax credits.

Difficulties experienced gathering information

Some respondents who failed to renew their claim found the process of collecting the information required problematic. Evidence of income was identified as being especially difficult to gather. Respondents reported it could take between two and three months for an employer to issue a P60 or the final payslip for the tax year. Respondents who had been working flexible hours for the 2005-2006 award period had experienced particular difficulty gathering information regarding the hours they had worked and the income this had generated. Such hurdles ultimately led to respondents failing to renew their tax credits claim.

In some instances, these difficulties were exacerbated by language barriers.

Case study 2: Failed to renew and made new claim, CTC < family element, 36+, working part-time, couple.

Tariq lives with his wife and young daughter and works part-time as a chef in a café. He started claiming tax credits approximately five years ago and *'couldn't survive'* financially without them. He therefore places a great deal of importance on renewing his tax credit claim on time each year.

Tariq always finds completing the renewal forms *'very difficult'* as English is not his first language so he relies on his brother for assistance. However, when the time came to renew his 2005-2006 tax credit claim, Tariq's brother was not available to help due to an unusually heavy workload. This resulted in Tariq failing to renew his claim. He called the HM Revenue and Customs helpline for guidance but found communication difficult due to the language barrier. When Tariq's brother became available at the end of 2006 he helped his brother make a new claim for tax credits. HM Revenue and Customs backdated the claim which largely covered the money lost through failing to renew on time. This experience caused Tariq a great deal of worry and he is keen to renew promptly next year as a result.

Once the necessary documentation had been gathered together, respondents who had problems supplying the required information would proceed to make a new claim for tax credits. That tended to be within a couple of months of their claim being terminated. Those who considered tax credits to be essential to their household finances described how they had *'struggled'* without receiving tax credits for the couple of months while

their award was terminated (see Appendix D1.2 for further details). All money lost was replaced through their new claim being backdated.

Mismanagement or forgetfulness

A subgroup of respondents felt that their bad time management or forgetfulness had led them to fail to renew their tax credits claim by the deadline. For example, one respondent described how her husband had frequently been away from home due to work commitments during the renewal period and both had forgotten he needed to sign the Annual Declaration Form on the occasions he had been home:

‘That time I failed to renew it was down to my husband not ... signing the form because he was working all over the country at the time ... It was like, you know, 4 days here, 3 days there, a week there, you know, the job. I kept meaning to get hold of him and get him to just sign his bit and it didn’t happen. Just bad management on our side.’

(Interview 6: failed to renew and did not reclaim¹², CTC > family element, 36+, working full-time, couple)

Other respondents had simply forgotten to renew their claim as a result of personal circumstances, such as pregnancy. Another respondent described how she had been side-tracked during the renewal period because she was helping her husband run their business and so she had failed to gather the information necessary for completing the renewal prior to the deadline:

‘I sort of help my husband on his business, the paper side as well. So ... we got tied up in things and then I meant to get round to getting the information together so, that’s what sort of delayed the forms ... I totally forgot about it.’

(Interview 43: failed to renew but made new claim, CTC < family element, 36+, working part-time, couple)

Those who had failed to renew their tax credits claim due to mismanagement or forgetfulness described how they had not missed the money as they were not reliant on the tax credits money, reflecting the low priority they placed on renewing their claim. These respondents either remembered or *‘got round’* to making a new claim for tax credits eventually. Being made aware that they would have to pay back an overpayment acted as a trigger to making a new claim in some instances, but only

because they knew they were entitled to claim rather than a need for the additional money:

‘There was a debate between my husband and myself, is it worth making the claim or should we just forget it and ... there was quite a few things happening around that time so ... I was trying to find out whether I could just send out the renewal forms to them which is putting out the basic figures ... whereas completing a whole new form would mean filling out, A-Z information basically ... Obviously they said no you’d need to complete a whole new form ... In the end I thought I’ll send the figures off ... If I am entitled to it I might as well claim it.’

(Interview 43: failed to renew but made new claim, CTC < family element, 36+, working part-time, couple)

Perceived ineligibility

Perceptions of being ineligible for tax credits led to some respondents failing to renew their claim. Ineligibility for both WTC and CTC had been assumed due to unemployment.

‘I deliberately didn’t fill them [the renewal forms] in because ... as far as I was concerned, I wasn’t working ... I was unaware at the time that this [tax credits] is how you claim for children ... I just thought ... Child Tax Credit and Working Tax Credit was one and the same thing.’

(Interview 44: failed to renew and did not reclaim¹³, no work – CTC maximum award, 36+, unemployed, couple)

A change in circumstances such as movement into work or separation from a partner had led to respondents making a new tax credits claim. On separating from her partner, one respondent visited her local Jobcentre Plus office for advice on benefits for lone parents and they informed her of her eligibility for CTC.

Case study 3: Failed to renew and made new claim, no work – CTC maximum award, 18-35 years old, unemployed, single.

Joanne is 32 and lives with her young son. She was working up to the summer of 2006 when, after gradually reducing her hours, she decided to give up her job due to ill health. She had been claiming both WTC and CTC but did not renew her 2005-2006 claim as she assumed she was no longer eligible for either due to her unemployment.

She did not claim out-of-work benefits initially as her partner was supporting her financially. However, they separated at the end of 2006 and so Joanne went to the Jobcentre Plus office to enquire about what benefits she was entitled to as a lone parent. It was during this visit that her adviser informed her she was still entitled to CTC. Consequently, Joanne

Another reason for perceived ineligibility included receiving an overpayment. One respondent described how he thought he was no longer eligible for CTC due to having to repay an overpayment. As a result he did not renew his claim:

I ... read something somewhere that was sent which suggested that we'd been overpaid. I will say that there's quite a lot of confusing material comes through HMRC, you know, and ... it said something about tax credits overpaid and ... it had given me the impression that we were no longer qualified for tax credits.'

(Interview 27: failed to renew but made new claim, CTC < family element, 36+, working full-time, single)

Informal discussion with friends had led this respondent to realise he had unnecessarily terminated his claim and he subsequently made a new claim some months later.

- **Perceptions of small financial gain**

There was a perception that the financial gain from claiming tax credits was not enough to make renewing their claim worthwhile; this was sometimes due to their tax credits award being reduced as a result of an overpayment. Those who held this view had a very negative perception of claiming tax credits and made a deliberate decision not to renew their tax credits claim:

'It was too much trouble, to get the £30 a month or however much it was that I was getting, it was too much - the amount of aggro and wasted paper, wasted effort, and phone calls and time ... It's the going to work thinking 'God I've got to phone the ... Tax Office again' ... If had to go through that amount of effort to get £500 that would be fine, but I wasn't I was only getting £30 so it's completely, you know it's a mathematical equation, the effort outweighed the return.'

(Interview 19: failed to renew and did not reclaim, CTC < family element, 36+, working full-time, couple)

Respondents who had failed to renew on time for this reason had not made a new claim for tax credits at a later date at the time of the interview and expressed no intention to do so in the future, as they wanted to withdraw from the tax credits system entirely.

2.5 Awareness and views of the renewal deadline

Awareness of the renewal deadline was very variable across the sample of claimants, but interestingly, respondents did not describe it as having any notable impact on their renewal behaviour. It did not follow, as might be expected, that those who renewed on time were aware of the deadline and those who were late or failed to renew at all were not. Instead, the respondents who had renewed in good time were particularly likely to have been unaware of the deadline as they made a habit of renewing so promptly that it was of no concern to them:

‘I couldn’t tell you [when the deadline is] ... The deadline doesn’t normally worry me ... Because it gets done within the week.’

(Interview 15: renewed just in time, in work - CTC > family element, 18-35 years old, working part-time, couple)

As has been discussed in section 2.4, the point at which respondents renewed depended much more on either their approach to managing household finances or their individual circumstances during the renewal period rather than recalling the deadline. Only respondents who renewed late conceded that their confusion as to when the deadline was might have resulted in them renewing late, but this was only one of a range of influences raised by this group.

3 Information and help sought with the tax credits renewal process

This chapter focuses on the information and help sought by respondents when renewing their tax credits claim. The first part of the chapter explores respondents' experience and views of the guidance provided by HM Revenue and Customs by examining what was required from the guidance as well as perceived usefulness of the guidance received. Usefulness of the guidance is discussed in relation to the format it took, including the HM Revenue and Customs Guidance Notes, the helpline, face-to-face assistance, and information received in the post and online. Preferred methods of communicating with HM Revenue and Customs regarding the renewal process will then be explored.

The second part of the chapter considers guidance received from other sources, the usefulness of this guidance and respondents' views of this guidance compared with that received from HM Revenue and Customs.

3.1 Guidance given by HM Revenue and Customs

Respondents identified a range of guidance received from HM Revenue and Customs in relation to renewing their tax credits claim. This took the form of the Guidance Notes which formed part of the Tax Credit Renewals Pack as well as guidance sought by respondents through HM Revenue and Customs helpline, in writing, online or via a local HM Revenue and Customs office. Preferred methods of communication are discussed in section 3.1.3.

3.1.1 Overview on how respondents used guidance from HM Revenue and Customs

Respondents had a range of queries relating to renewing their claim that had triggered them to seek, or use, guidance from HM Revenue and Customs. The types of queries which respondents had included:

- understanding what to do with the renewal forms received;
- clarifying a question regarding the form or the renewal process;
- checking the deadline for renewing their claim;
- finding out how to report a change in circumstances as a result of receiving the renewal forms;
- clarifying whether Part 2 of the Annual Declaration Form ('taxable social security benefits') applied only to benefits other than those stated or not;

- finding out what to do on missing the renewal deadline; and
- accessing help to complete the form.

‘Well they can help me, you know, like fill all these forms in, which I can’t do on my own basically ... I wouldn’t know where to start.’

(Interview 37: renewed in good time, no work – CTC maximum award, 36+, unemployed, couple)

In addition, respondents viewed using the HM Revenue and Customs helpline to renew their tax credits claim over the phone as a form of guidance or support. By using the helpline, respondents pointed out that they did not need to read the Guidance Notes in detail because they knew that the information they gave the helpline advisor would be recorded correctly and the advisor would ask for any specific information needed.

It was also mentioned by respondents that they found it difficult to remember all the different types of guidance they had sought when renewing their claim. This was because they had generally sought guidance on a number of occasions when renewing their claim; as a result, they found it difficult to recall the details.

Finally, some respondents described how they had not sought any guidance in renewing their tax credits. These respondents tended to have renewed their claim on numerous occasions and therefore did not need any support with their most recent renewal because they were familiar with the process and forms:

‘I’m sort of conversant [with the tax credits renewals process] so I didn’t need to [use any guidance]. But for some people who don’t know the difference between gross and net for example it’s [the guidance] very useful.’

(Interview 7: renewed in good time, CTC > family element, 18-35 years old, working full-time, single)

3.1.2 Perceived usefulness of HM Revenue and Customs’ guidance

Views were mixed regarding the usefulness of guidance given by HM Revenue and Customs and varied depending on the format of the guidance received. Perceptions of usefulness depended on the renewal behaviour of the respondent and their experience of the tax credits renewal process. A positive response was generally expressed by respondents who had renewed in good time or who had experience of renewing a tax credits claim in the past. However, those respondents who had missed the deadline or who were completing the form for the first time said that their experience of receiving

guidance from HM Revenue and Customs had been more negative. This is discussed in more detail below.

3.1.2.1 Guidance Notes

There were mixed views on the Guidance Notes. These conflicting views might be explained by the renewal behaviour of the respondents and their experiences of the tax credits renewal process.

Positive views of the usefulness of the Guidance Notes were voiced by respondents who had renewed before the deadline or who had experience of renewing their tax credits claim in the past. Respondents who had renewed in time described how they had spent time familiarising themselves with the notes and this had allowed them to have a thorough understanding. Likewise, respondents who had renewed their claim in the past described how their familiarity with the Guidance Notes had meant they could navigate their way around the notes.

Respondents with positive views about the Guidance Notes found them clear, easy to use, and informative. As a result, respondents had not needed to seek out additional guidance from HM Revenue and Customs or other formal sources when renewing their tax credits claim. Furthermore, respondents found the Guidance Notes valuable because they could take their time to read the notes and show them to family and friends if they had questions or queries.

Respondents who felt that the Guidance Notes were not useful raised issues about the:

- length of the notes,
- complexity of the language, and
- aesthetics of the notes.

The length of the notes was considered to be particularly problematic. Respondents described how they had difficulty navigating their way round the notes and difficulty reading them quickly to find the information they needed. Respondents who had missed the deadline, in particular, described having difficulties using the Guidance Notes due to the length of the document. Some respondents described how they had found the notes daunting and had therefore ignored them or put them in the bin:

‘No, I would chuck that [the Guidance Notes] away immediately. Because it’s too much, to have to read a form about filling in a form is just too much.’

(Interview 19: failed to renew and did not re-claim, WTC only, 36+, working full-time, couple)

Similarly, where the notes were felt to be written in complex language, respondents found them difficult to understand and therefore of limited use:

'I found them confusing from the beginning. The thing is, if you are not too bright, like me, it's not easy. [The notes are] long ... I mean, I went through it, it has done me head in! Maybe because it was fear of the form, so I just threw it on the side. Then I went back and picked it up and went through and ... still, there was a lot of it I couldn't understand about what I declare and what I couldn't declare.'

(Interview 28: renewed in good time, WTC only, 36+, working full-time, couple)

Nevertheless, some respondents who felt that the Guidance Notes were written in complex language had still found them useful. For example, some respondents described how they used a dictionary or sought help from a friend in order to understand the meaning of the notes. As a result, they managed to find information that was useful for their tax credits renewal.

The visual style of the notes was also criticised by respondents. Respondents regarded the design to be formal and felt that the style discouraged them from using the notes. Respondents also believed that it was easy to confuse the tax credits renewal pack with other information received from HM Revenue and Customs. For example, one respondent described how they had mistaken it for a tax return when they had first opened the pack.

3.1.2.2 The HM Revenue and Customs helpline

Respondents generally held positive views about the helpline, whether they had used the service or not. Respondents who had not used it for guidance or support described how they liked that it was there should they need support in the future.

The main reason that the helpline was considered useful was because it provided personalised information. Respondents welcomed being able to explain their personal circumstances precisely to the adviser on the phone and then to receive an answer tailored to them:

'They've been quite nice to me actually, when I phoned the helpline I found them quite alright on the phone, if ever I asked any questions they always helped me out straightaway ... Telephone is more personal, you get to speak to somebody. And if you send things by letter you have to wait for them to respond and it's dragging it out, its dragging the time out if you want to know anything so you might as well just phone them and ask them.'

(Interview 34: renewed late but claimed within 30 days, CTC > family element, 18-35 years old, working part-time, single)

Furthermore, respondents who had been anxious that they would complete the renewal form incorrectly found communicating by telephone useful because it reassured them that they were following the process correctly.

The helpline was generally valued for the speed with which guidance could be obtained because staff could answer questions quickly. It was felt that most of the advisors staffing the helpline were knowledgeable and able to answer questions without difficulty; this was felt to add to the speed of the service. The staff were also praised by some respondents for their friendliness and flexibility, as they would reportedly wait while the respondent looked for information which they did not have to hand:

‘It’s not like, they don’t pressurise you, ‘we need information now. Now.’ You can go and get it ... and come back.’

(Interview 9: renewed just in time, no work - CTC maximum award, 18-35 years old, unemployed, couple)

However, respondents described how some staff working on the telephone helpline were better than others in terms of friendliness, knowledge and ability to explain information clearly and simply. In some cases, respondents described how they would get round this by putting the phone down if they felt they had a ‘bad’ adviser and calling again in an attempt get a different one.

It is important to note that negative experiences of the helpline were also reported. Some respondents described how they had disliked the attitude of the adviser or had been promised written information or a phone call that never materialised¹⁴. These cases tended to be reported by respondents who failed to renew by the deadline and as a result had used the helpline to seek guidance on what would happen next or to enquire as to why their payment had stopped.

Other more generally negative views of the helpline included:

- the telephone calls were costly,
- it took too long to wait to speak to an adviser,
- the opening hours were too short,

¹⁴ Advisers have the facility to arrange for certain documentation to be sent out to claimants and they have the facility to call claimants back, but call-backs are made in exceptional circumstances only; they are not part of business as usual.

- too many questions were asked by the adviser regarding information which had been provided before, and
- that the advisers spoke too quickly. This was raised by respondents for whom English was not their first language.

3.1.2.3 Face-to-face contact

Few respondents across the sample had used face-to-face guidance at a local HM Revenue and Customs centre. However, respondents who had used the facility found it extremely valuable.

As with using the telephone helpline, respondents valued face-to-face contact because of the personalised information and support that it could provide. Respondents who used face-to-face contact also mentioned other advantages that they felt were not offered by the helpline. For example, respondents liked face-to-face contact because they had personal contact with the adviser and they could approach the same advisor on subsequent visits if necessary. Unlike using the helpline, respondents felt that they could not be *'fobbed off'* or be given an unsatisfactory answer to a query. In addition, respondents felt they could ask more questions in a face-to-face setting as such meetings were less rushed than on a helpline:

'I think they should sit down and go through it with you ... so you're not losing out on any benefit payments or whatever. Because obviously everyone's different individuals and that, and I just think I get more benefit from sitting down discussing with them and letting them go through what I need to know, and ... like I have got some questions then I can ask them direct and get them to explain more to me so I can like get it all in.'

(Interview 23: renewed in good time, no work - CTC maximum award, 36+, unemployed, couple)

Due to being perceived as less rushed than helpline contact, face-to-face meetings were also welcomed by some respondents who spoke English as a second language as they felt they had more of an opportunity to clarify any areas of confusion than on the telephone.

3.1.2.4 Guidance received in the post¹⁵

Written guidance received in the post was considered useful because it could be retained and kept in case of any future discrepancies. This guidance had been

¹⁵ Comprising guidance other than that received in the renewal pack.

requested via the HM Revenue and Customs helpline and although it was considered slow to obtain, respondents who had sought guidance in this way described how they liked to retain a record of correspondence so that they had evidence of what they had been told. This was regarded as useful because they could forget or misinterpret information told over the phone or face-to-face.

Written guidance was also preferred by respondents with English as a second language as they could show it to someone else and receive help with the renewal if they had problems with understanding the information.

3.1.2.5 Online guidance

It was unusual for respondents to seek information from HM Revenue and Customs via the internet but respondents who did so reported a good experience. As proficient users of computers and the internet they could search the HM Revenue and Customs website quickly and easily. They found the resource useful and said that they would use it again.

3.1.3 Preferred method of communicating with HM Revenue and Customs regarding tax credits renewals

Overall, the telephone helpline was generally the preferred method of communication with HM Revenue and Customs. It was the most personalised source of information; it enabled claimants to obtain help quickly, and respondents felt reassured that the helpline would provide the correct guidance.

However, some respondents indicated that they preferred written communication (including the printed Guidance Notes) because it meant that they could take time to read the information carefully, retain it as a record or use it to resolve any future discrepancies; and share it with family and friends for advice. Written communication was preferred by some respondents where English was a second language because they had found it difficult to understand the helpline advisers.

‘[The form is easier] because I can write down and I can’t understand [the helpline] ... I use the dictionary [for the form].’

(Interview 21: renewed in good time, WTC only, 36+, works part-time, couple)

Face-to-face advice was preferred by those who found that the helpline had not explained an issue fully or considered the helpline expensive. As a result, face-to-face contact was preferred because it was free, easy to understand (compared with the helpline) and because respondents felt they could ask more questions.

Online communication was preferred where respondents were familiar with using the internet to seek information.

In short, respondents' preferred method of communication with HM Revenue and Customs about tax credits renewals was related to the respondent's preferences and circumstances and also tended to reflect respondents' preferred method of renewal (as discussed in section 2.3). These preferences and circumstances included:

Preference for the Guidance Notes

- When the respondent was comfortable reading the Guidance Notes or written information.
- When the respondent wanted a written record of information to keep for future reference.
- When the respondent was familiar with the Guidance Notes due to having referred to them previously.
- When English was a second language for the respondent.
- When the respondent was not prepared to pay to call the helpline.

Preference for HM Revenue and Customs' helpline

- When the respondent wanted an answer to a query regarding their own personal circumstances.
- When the respondent was anxious that they might make an error and provide incorrect information on the renewal form.

Preference for face-to-face guidance

- When the respondent preferred speaking to someone face-to-face.
- When English was a second language for the respondent.

3.2 Guidance received from other sources

Respondents had also sought guidance regarding tax credits renewals from sources other than HM Revenue and Customs. They had used both formal and informal sources. The formal sources reported included:

- advisers at Jobcentre Plus;
- advisers at the Citizens Advice Bureau (CAB);

- *'form completion'* advisers at the local council; and
- personal accountants.

Respondents chose to use alternative sources of formal advice because they were either familiar with the alternative source or had found it easy to use:

'It helps if you've got problems with housing or filling out forms or something, they help you to understand and help you to fill in the forms and everything ... it's run by the Council.... We've used it before... so it's easy.'

(Interview 2: renewed late but claimed within 30 days, no work – CTC maximum award, 36+, unemployed, couple)

Respondents who utilised alternative sources of formal advice explained that these sources had given them assistance with forms issued by government departments in the past and they therefore felt it easy to use them again.

However, there were respondents who used sources such as the local council and Jobcentre Plus because they thought that these organisations and HM Revenue and Customs were part of the same establishment. These organisations were sometimes viewed generically as *'the government'* and were therefore seen as the right organisation to approach if help was required with renewing a tax credits claim. As a result of the confusion surrounding how HM Revenue and Customs were related to other official bodies, respondents were not necessarily aware that they had used a source of advice that was independent of HM Revenue and Customs.

Informal sources of advice respondents had used included family or friends, and community groups. Respondents who utilised advice from family or friends tended to have English as a second language and therefore always sought assistance from family or friends when English was required, or when they needed help to complete forms.

3.2.1 Information provided by sources other than HM Revenue and Customs

Respondents who had sought guidance from other sources tended to have done so in order to access support with completing the form or clarify the information they were required to provide. These respondents described how they had difficulty completing forms more generally and therefore always sought support from these sources. Familiarity meant that these respondents were comfortable using these sources.

However, an exception to this was respondents who used their accountants as a source of guidance. Personal accountants did not complete the form on behalf of their

customer but were used by the respondent to access exact figures on income or other such specific information.

3.2.2 Perceived usefulness of other sources of guidance

Respondents who had used other sources of guidance found such sources to be very useful. They emphasised how they would not have been able to complete the form without this guidance and support.

Respondents particularly valued formal sources of support such as advisers at Jobcentre Plus, CAB or *'form completion'* advisers at the local council because respondents felt sure that these advisers could complete the renewal form correctly. There were respondents who had so much more confidence in these advisers than in themselves that they preferred to ask their adviser to seek information from HM Revenue and Customs on their behalf. This was because they felt that the adviser would obtain the correct information. Faith in advisers' ability to provide the correct information meant this service was considered extremely useful by respondents.

Generally, guidance which had been received from informal sources such as family and friends was also viewed positively. The family and friends used were regarded by the respondents as more *'expert'* than themselves at understanding tax credits renewals, especially if they had completed a tax credits form of their own:

'I had me daughter up and she told me, she more or less explained the whole thing to me as to what I could do and what I couldn't do. Susie, [because she claims too]. Claire doesn't claim.'

(Interview 28: renewed in good time, WTC only, 36+, working full-time, couple)

Family and friends were also deemed a useful resource because the claimant felt comfortable sharing their personal details with them.

3.3 Choice between source of guidance

Generally, respondents who sought guidance from sources other than HM Revenue and Customs did not seek guidance from HM Revenue and Customs as well, as all the information they needed was provided by the other source. If additional guidance was required from HM Revenue and Customs, respondents reported that they would ask their alternative source to contact HM Revenue and Customs on their behalf because they lacked the confidence to do so themselves. As a result, respondents who went to other sources for guidance did not tend to have direct experience of contacting HM Revenue and Customs for advice.

4 Proposed improvements to the renewal process

This chapter examines a range of suggested improvements to the tax credits renewal process. The improvements included changes respondents suggested in the course of the interview as well as ideas proposed by HM Revenue and Customs. The suggestions respondents spontaneously proposed related to changes to the renewal documentation, the way claims are renewed, the length of time claimants are given to renew their claim and improvements to communication. Proposals originating from HM Revenue and Customs were concerned with reporting changes of circumstances and respondent views on these propositions are discussed at the end of the chapter. It should be noted that the cost implications of these suggestions for change are outside the scope of the research and are therefore not covered in this report.

4.1 Alterations to renewal documentation

Respondents stressed the need for the renewal documentation to be made available in a clear and simple format. Some respondents considered the renewal pack to be off-putting because of its size and the *'archaic'* language used:

'What they [HM Revenue and Customs] need to do, is they need to seriously rethink the design of everything and the wording of everything. A lot of the terms they use are quite archaic even still, you know 'income' ... it's not about income it's about money, you know, and this whole sort of 'overpaid' / 'underpaid' is really, really hard to understand. You owe us this much, we owe you this much – [that] would make it much simpler for someone to understand. You know ... 'earnings as an employee' ... [where as it should be] what is your gross salary.'

(Interview 19: failed to renew and did not reclaim, CTC < family element, 36+, working full-time, couple)

Respondents also commented on other components of the renewal pack.

- The **Guidance Notes** were felt to warrant improvement. As discussed in section 3.1.2.1, views of the usefulness of the Guidance Notes were affected by their design, language and style. Some felt that the notes were too formal in design and should be presented in a *'friendlier'* format. It was also agreed that they contained a lot of irrelevant information and would benefit from being made more concise. However, respondents could not specify what information could be omitted.

- The **Annual Review** form and the **Annual Declaration** form were felt to be too complicated. One suggestion was that HM Revenue and Customs should send a postcard to claimants listing their circumstances and asking them to tick 'yes' or 'no' as to whether they had changed. The postcard could then be returned via freepost to HM Revenue and Customs and if the claimant's circumstances had not altered no further action would be required. If they had changed, HM Revenue and Customs could then send out the standard renewal pack.

Respondents also made suggestions surrounding increasing the clarity of the question relating to changes in personal circumstances on the Annual Declaration form. See section D2.3 for further discussion.

However, not all respondents felt the renewal documentation required altering. As discussed in section 3.1.2.1, those who had renewed their claim in good time and also those who had renewed their claim in the past described how their familiarity with the renewal pack had meant they could navigate their way around the notes and forms with ease.

'It's the easiest thing in the world. I don't know why people complain about it so loudly. I personally have no problem with it. Any time I have had a minor issue it's been dealt with completely professionally and swiftly. And more than adequately.'

(Interview 7: renewed in good time, CTC > family element, 18-35 years old, working full-time, single)

4.2 Method of submitting a renewal

4.2.1 Renewing online

Having the opportunity to renew online was widely supported by respondents who were proficient in using computers and the internet. It was felt that renewing online would be more reliable than renewing by post because the risk of losing the form would be minimised. Those who had renewed late were particularly supportive of an online renewal process for this reason and also because they felt that HM Revenue and Customs would receive the renewal quickly. This was particularly important for those who renewed late, as they were aware they were prone to such behaviour:

'I would use it online, because I did the tax return online this year because I knew that it was going to get there on time, because they give you a receipt, probably relevant for me because it doesn't get lost in the post or go off late and, you know, that you be on the computer and it goes and it gets there in time.'

(Interview 17: renewed late but claimed within 30 days, WTC only, 36+, working full-time, single)

Respondents also highlighted that renewing online would enable HM Revenue and Customs to respond quickly if the form had been completed incorrectly or if details had been omitted:

'It's a much faster way for them to reply to you. For example, say to a question you didn't reply properly, and you are there [on the computer], you see where you're wrong ... and the communication of course on the internet is much faster and [a] much more reliable way of doing it. Because sometimes you are a lot concerned whether the post has arrived or didn't arrive, which is the case sometimes, that 'oh, we didn't get the form back' or something.'

(Interview 33: renewed late but claimed within 30 days, CTC > family element, 36+, working part-time, couple)

However, it was noted by respondents of a range of renewal behaviours that whilst they would like to be able to renew online, having that ability would not actually have any impact on when they renewed their tax credits claim.

The only disadvantages respondents highlighted about this method of renewal were related to internet security. Such concerns were expressed by those less proficient with computers and also those nervous about the reliability of their own computer. For example, one respondent described his computer as '*erratic*' and, as a result, he would not want to rely on an online renewal method.

4.2.2 Renewing by telephone

It was stressed that the option to renew over the telephone needed to be more widely advertised because respondents were not always aware of this method of renewal. The suggestion was made to send a letter instructing customers to call the helpline and renew their claim:

'Even if ... we were sent a note saying, you know, it's renewal time, please ring this number ... and we will talk you through it or something.'

(Interview 12: renewed in good time, CTC < family element, 36+, working part-time, couple)

Respondents who were made aware of this option in the course of the interview said that they would renew by telephone in future as it seemed quicker, easier and '*less hassle*'. This view seemed to stem from positive experiences of using the HM Revenue and Customs helpline when reporting changes of circumstances:

‘I just rang them up. As I say, I can speak to somebody better than I can write it down or anything like that.’

(Interview 29: renewed just in time, WTC only, 36+, working part-time, single)

4.3 Length of renewal period

It was widely agreed across the sample that tax credits claimants had a ‘*very generous*’ amount of time in which to renew and, rather than being useful, this might have led to late renewals. It was generally felt that the longer claimants had to renew, the more likely they would put the forms ‘*to one side*’ and forget about them. It was therefore generally agreed that a shorter period in which to renew would encourage more timely renewals; a month was thought to be ‘*more than enough*’:

‘I think what happens is, people become quite ... blasé ...and again, I’m as guilty as the next person. I’ve had the forms come through in the April and you keep thinking to yourself ‘oh, I’ve got ‘til August to do that, put it away’. The next thing it’s ‘where did I put it?’ And then you get a reminder letter ... I’ve actually been in the situation where I’ve had to ask them to send me another form ... I think ... a two month period, say the April and May, and then a cut off date sometime in June would be a lot more beneficial ... It’s a shorter period of time that they [claimants] can get themselves into some sort of financial difficulties ... I think that’s more than adequate time, I really do.’

(Interview 22: failed to renew but made new claim, no work – CTC maximum award, 36+, unemployed, single)

4.4 Improved communication from HM Revenue and Customs

Respondents suggested a number of ways whereby HM Revenue and Customs could improve their communication with tax credits claimants and to help them renew on time. They were:

Issuing reminders of the deadline;

Extending the opening hours of the helpline; and

Providing face-to-face support

4.4.1 Issuing reminders of the deadline

Respondents suggested that the impending renewal deadline should be advertised on television and radio to remind claimants to renew.¹⁶ This was felt to be especially useful to those who had forgotten the deadline or mismanaged their time. In addition, such advertisements should also stress the importance of claimants renewing their tax credits claim. It was felt this message should also be fed into the renewal documentation:

‘If it’s something ... that you have to do and it’s important ‘do this now. If you don’t do this now you won’t get this money that you are entitled to’ ... I think what’s happening is with a lot of people like us you skim things and you don’t quite grasp and don’t get what it’s about in reality. So for busy people dashing about, I think that you miss the point of some of these documents.’

(Interview 27: failed to renew but made new claim, CTC < family element, 36+, working full-time, single)

Similarly, there was also the suggestion that HM Revenue and Customs should send out postal or email reminders, or alternatively, make telephone calls to individual claimants¹⁷. These suggestions were made by those who had renewed late and who had failed to renew and had to make a new claim and they felt these measures would have helped them to renew on time:

‘I suppose if I had a phone call that might have more prompted me more to saying yes I need to - I mean obviously you see the adverts going on, this is the deadline, you need to meet the deadlines, but I think a phone call might have prompted me a bit more ... at that stage.’

(Interview 43: failed to renew but made new claim, CTC < family element, 36+, working part-time, couple)

It should be highlighted that the need to advertise the deadline was not due to claimants’ lack of awareness per se, but so that they could be reminded of it in order to prioritise renewing their claim.

4.4.2 Extending the opening hours of the helpline

Respondents who preferred renewing or accessing guidance via the helpline stressed the need to extend the hours of this service. Specifically, it was felt that the helpline

¹⁶ The date of the deadline for renewing tax credits claims in 2006 was advertised on television, radio and online.

¹⁷ Two postal reminders to claimants who had not renewed their tax credits claim were issued in 2006.

needed to be available until later on in the day as the current operating times intruded on both conventional nine-to-five working hours and childcare responsibilities. Respondents described how their children tended to go to bed at approximately 8pm, so ideally they wanted to be able to contact the helpline after this time. However, the current hours of 8am to 8pm prevented them from doing so:

‘The helplines do close at 8pm, because I get my children into bed at 8pm or 8-8.30 every night ... by the time I’d finished the day, and had time to get to something like this [the renewal], the helplines were closed. Some days are like that, you run from one thing to another, and you don’t actually get a minute to sit down and think about these kind of things until the children are in bed, and it’s not ‘mummy, mummy, mummy, mummy.’”

(Interview 3: renewed late but claimed within 30 days, CTC < family element, 18-35 years old, unemployed, couple)

4.4.3 Providing face-to-face support

As discussed in section 3.1.2.3, receiving face-to-face guidance from HM Revenue and Customs was felt to be extremely valuable, and correspondingly the need for greater face-to-face communication was suggested. Respondents put forward the idea of tax credits renewal ‘surgeries’ where claimants could go for assistance in completing the renewal form. Respondents who made this suggestion appeared unaware that tax credits renewal queries could be made at HM Revenue and Customs Enquiry Centres¹⁸.

Support of this nature was thought to be vital for a range of people for whom written information was not an ideal method of communication, including:

- claimants for whom English was not their first language;
- claimants with learning difficulties; and
- claimants with physical conditions that made writing problematic, such as dyspraxia.

Respondents with mental health problems also welcomed face-to-face support from HM Revenue and Customs, particularly in order to complete the renewal form. This was because they felt that they could exacerbate their condition if they had to complete the form on their own. Some respondents reported that completing the form made them feel *‘physically sick’*:

¹⁸ HM Revenue and Customs Enquiry Centres can provide personalised advice on renewal queries, they can also forward the renewal form for data capture where requested.

‘I’m not the only person that has, like, mental illness problems, and last year, it was just the case of, I didn’t want to read it, [the form] [and] the bits I did read I probably wasn’t taking in clearly anyway ... I know it’s obviously more difficult for them, but they should definitely have somewhere where you can go and see somebody face-to-face.’

(Interview 44: failed to renew and did not reclaim, no work – CTC maximum award, 36+, unemployed, couple)

4.5 Reporting a change in circumstances

In the course of the interview, respondents were asked for their views on two ideas related to the reporting of changes of circumstances that were proposed by HM Revenue and Customs.

- Printing a list of the changes reported by the claimant over the year on the Annual Review form.
- The opportunity to report future known changes when renewing.

4.5.1 A list of reported changes

Having a list of the changes reported by the claimant over the tax credits year pre-printed on the Annual Review form was generally thought to be useful as a reminder of what had been reported, particularly if the claimant had reported changes by telephone:

‘I think that would be an idea, yes ... If that was on the form and says this is the details you have given us, these are changes you have given us, and maybe the date when you was supposed to have told them, that would be much better.’

(Interview 38: failed to renew and did not make new claim, WTC only, 18-35 years old, working part-time, single)

A list of this nature could also serve to remind the claimant of other changes they needed to report:

‘That is a good idea ... Because then you wouldn’t have to think back then if there was any changes. You wouldn’t think, ‘oh, have I told them? Did I tell them about this or that? If you had a list you’d think ‘oh, I don’t need to tell them because I’ve already told them’. That would probably be a lot easier.’

(Interview 34: renewed late but claimed within 30 days, CTC > family element, 18-35 years old, working part-time, couple)

In addition to this, the list was considered to be reassuring as *'feedback'* that HM Revenue and Customs had noted and responded to reported changes, particularly by those who were concerned about reporting changes by telephone because they had no way of validating their contact with HM Revenue and Customs.

However, there was a concern that the list would unnecessarily lengthen the Annual Review form and would exacerbate the already *'daunting'* image of the renewal documentation. As a result its inclusion might lead claimants to jeopardise their tax credits claim, by encouraging them to put off dealing with the renewal and risk them renewing late, or not at all.

4.5.2 Reporting future known changes

The idea of giving claimants the opportunity to report future changes of circumstances was met with a great deal of scepticism. Respondents were doubtful as to whether it was a good idea to report changes that were not guaranteed to take place and were keen to stress that they were not *'soothsayers'*. This concern was aimed at two changes in personal circumstances in particular:

- having another child, and
- an expected pay rise.

'People don't like thinking six months ahead; it's too far ahead. You know, even if they know that their wife is, you know, three months pregnant and they will have a baby in six months time, it's just too much. You know, wait another year and then tell them that it's happened ... I think it has to be 'have your circumstances changed' rather than 'will your circumstances change.'

(Interview 19: failed to renew and did not reclaim, CTC < family element, 36+, working full-time, couple)

The concern levied at reporting these changes was partly due to the fear that if they reported these changes before they happened they might *'jinx'* their occurrence. Respondents were also worried as to what would happen if the change did not materialise and queried whether incorrectly reporting a future change would lead to having to pay back an overpayment or having to renew their claim again; both of which were not welcomed:

'[[If] it didn't happen, if you make them aware of something that is not rock solid so to speak, so they could put it on there, log it all, get all ready to change your circumstances or actually change your circumstances ... and then it may not happen. Therefore you could lose out, it could cause confusion [and] you have got to go through the whole renewal process again.'

(Interview 1: failed to renew and made new claim, no work – CTC maximum award, 18-35 years old, unemployed, single)

However, reporting a future change in circumstance was considered acceptable for a *'known quantity'*, such as reporting a child's age which left the claimant ineligible for CTC.

Regardless of their views, respondents stressed that if this method of reporting changes was to be rolled out, HM Revenue and Customs would have to contact the claimant shortly before the change was due to occur to check that it was still going to happen.

5 Conclusions

This piece of research was designed to increase insight into claimants' understanding of the tax credits renewal process. This is integral to the development of the system for delivering tax credits and to designing changes that encourage claimants to renew their claim in a more timely way.

5.1 Understanding of the renewal process

Encouragingly, respondents generally felt they understood the purpose of the renewal process and were largely aware of the requirement to check that the Annual Review form contained the correct information regarding their circumstances. However, respondents who had their claim automatically renewed and received a nil award had a more varied understanding of the renewal process, highlighted by some respondents disposing of the Annual Review form without checking the detail, as they felt they were not tax credits claimants. Respondents felt that advertising the importance of checking the Annual Review form might therefore be required, in order to ensure claimants receive the correct entitlement.

5.2 Key drivers behind renewal behaviours

The point at which respondents renewed their tax credits claim largely depended on their approach to managing household finances more generally. Respondents' individual circumstances during the renewal period could also have an impact on when they renewed their claim and could cause respondents to deviate from the way they typically managed their household finances.

The importance of tax credits to respondents' household finances also had some impact on respondents' renewal behaviour. The degree of financial importance placed on the receipt of tax credits varied considerably across the sample of respondents and related to the amount of money they received in tax credits relative to the income they earned in work. Those who renewed on time generally described themselves as being very reliant on tax credits and so any disruption to their claim would have negative consequences for their household finances. Respondents who renewed late tended to see tax credits as a useful rather than essential contribution to their household income and this might have affected the importance they placed on renewing their claim on time.

5.3 Encouraging more timely renewals

HM Revenue and Customs would like to encourage claimants to renew their claim as early in the renewal period as possible during the renewal window because this will reduce the likelihood of under- or overpaying claimants.

Perhaps surprisingly, awareness of the renewal deadline did not appear to have a large impact on renewal behaviour. Despite this, respondents still felt that a shorter renewal period would encourage more timely renewals, as the amount of time currently available was felt to be too long. This was voiced by a range of respondents, including those who were late renewing their tax credits claim despite being aware of the deadline. A month was generally thought to be an adequate length of time in which to renew. Implementing such a change might have a positive impact particularly on those respondents who found that their approach to managing household finances led to renewing late, as they would have less opportunity to put the renewal documentation aside and forget about it.

Three other suggestions were made that respondents felt could encourage more timely renewals, if implemented.

- Issuing reminders of the deadline through television and radio advertising, or by post, email or telephone¹⁹.
- Providing longer helpline opening hours so that those who prefer to deal with HM Revenue and Customs by telephone can do so after office hours and once the children have been settled for the night.
- Providing more face-to-face support which was seen as particularly important for claimants whose first language is not English and for people with disabilities or learning difficulties. Respondents appeared unaware that tax credits renewal

queries could be made at HM Revenue and Customs Enquiry Centres, which suggests the need for greater advertisement of this source of support.

¹⁹ The date of the deadline for renewing tax credits claims in 2006 was advertised on television, radio and online.