

# Direct Contact to Remind PAYE Taxpayers of their Entitlements

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Analysis of the Impact of the 2016 Programme

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*Research, Analytics and Information*

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# Direct contact to Remind PAYE Taxpayers of their Entitlements

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Analysis of the Impact of the 2016 Programme

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## Executive Summary

In line with Revenue's Customer Engagement Strategy objective to increase taxpayers' awareness of their entitlements, in October 2016 Revenue wrote to 137,620 PAYE taxpayers, to advise them of the range of [tax credits and reliefs available](#), and to remind them of the statutory four year time limit in which to claim their entitlements.

The recipients of the letter were selected based on an analysis of past behaviour – in particular, letters were sent to taxpayers with a history of paying tax between 2012 and 2015, who had not claimed any additional tax reliefs or credits, or declared any additional income.

In the six months after the letters were sent, 20,650 taxpayers (15% of recipients) requested a review<sup>1</sup>, claimed credits, reliefs or exemptions, or declared additional income.

- ❑ 18,554 recipients (13.5%) requested a total of 56,992 reviews, which is an average of just over 3 per taxpayer.
- ❑ 12,970 (9.4%) claimed a relief, exemption, or credit; a total of €27.6m was refunded or credited to taxpayers on foot of these claims.
- ❑ 2,195 (1.6%) reported additional income and paid a total of €1.2m tax on this income<sup>2</sup>.

The two most frequent activities were to claim relief on (i) [Health Expenses](#) and on (ii) [Flat Rate Expenses](#), making up 40% and 21% respectively of all claims and declarations.

The taxpayers who took action after receiving the letter were more likely to be younger taxpayers (aged 21-40 years), those with an annual income above €15,000, and those who were already registered for Revenue's [myAccount](#) online service when they received the letter.

The letter also highlighted the benefits of using online services, and outlined how to register for [myAccount](#). Before the letter was sent, 45,719 of the recipients were registered for [myAccount](#). After six months, this had risen by 26% to 57,425.

It is important to remember that prior to this direct contact none of these taxpayers had engaged with Revenue for over four years. Therefore, while we cannot say that all of the activity that followed was directly and exclusively caused by the contact, it is reasonable to assume that most taxpayers in this group were unlikely to make a claim or declare additional income in the absence of this contact from Revenue.

<sup>1</sup> A 'review' is an examination by Revenue of a taxpayer's liability at the end of a year, and reviews can be requested for any or all of the previous four years.

<sup>2</sup> Note that many taxpayers undertook more than one of these activities so these categories are not mutually exclusive.

## 1. Context

In October 2016, Revenue [wrote](#)<sup>3</sup> directly to 137,620 PAYE taxpayers reminding them of the statutory four-year time limit to claim tax reliefs and credits. The contact was targeted at employed PAYE taxpayers with a history of paying tax between 2012 and 2015, but who had not claimed additional tax reliefs or credits, or declared additional income in that period. The letters were posted in three batches, on 7<sup>th</sup>, 13<sup>th</sup> and 20<sup>th</sup> October 2016.

This paper assesses the impact of this direct contact from Revenue, based on the consequent updates by taxpayers to their tax records, in the six months after they received the letter. Such updates include requesting a review, claiming a refund, and/or declaring additional income.

## 2. Headline Results

### 2.1 Reviews and claims following the contact

Within six months of receiving the letter:

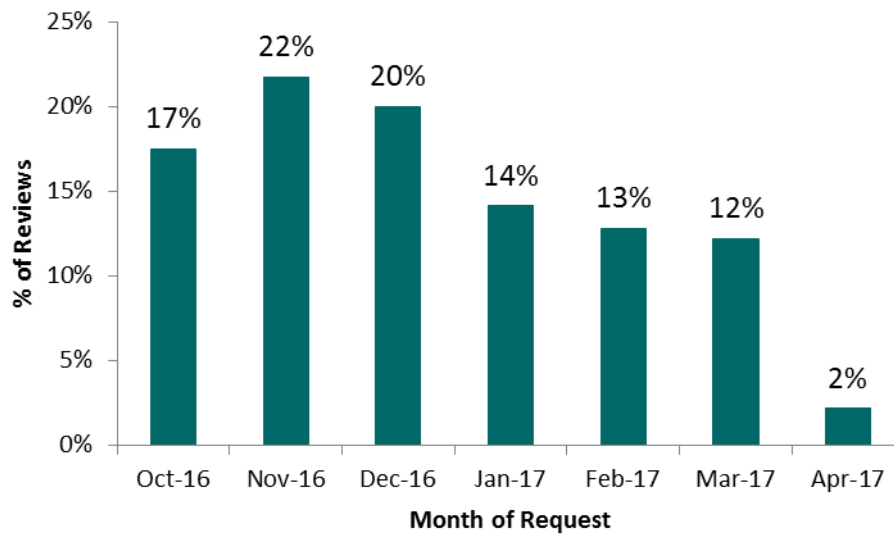
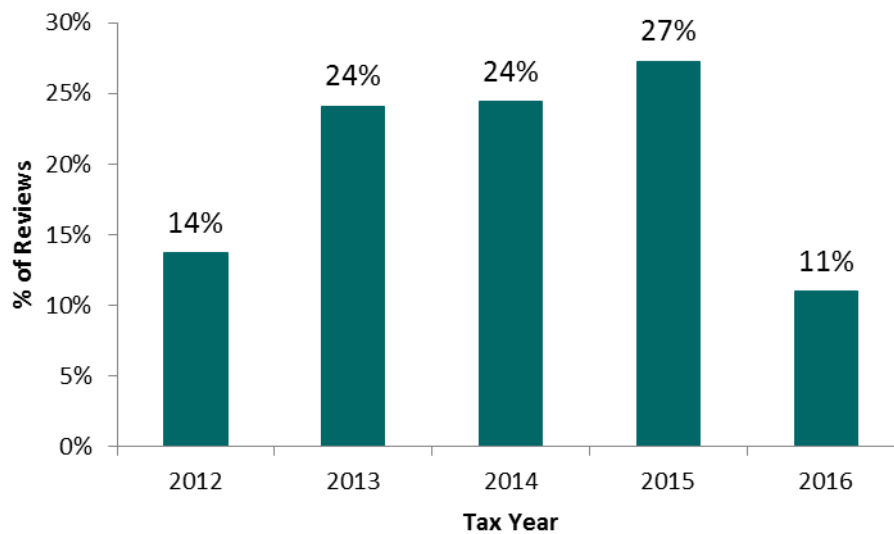
- ❑ 20,650 recipients (15%) requested a review, claimed credits, reliefs or exemptions, or declared additional income;
- ❑ 18,554 recipients (13.5%) requested a total of 56,992 reviews (3.1 per taxpayer on average);
- ❑ 13,878 recipients (10.1%) claimed credits, reliefs or exemptions, or declared additional income. A total of 45,281 claims or income declarations were made (an average of 3.3 per taxpayer);
- ❑ 5,328 recipients (3.9%) made a claim for 2012, which was the year specifically referred to in the letter, and for which the statutory four year time limit was imminent.

Figure 1 shows that more than half (59%) of the recipients who requested a review, did so before the 31st December 2016.

Figure 2 shows that only 14% of the recipients requested a review for 2012, even though the letter specifically highlighted the imminent deadline for claims relating to 2012.

The most common tax year for which a review was requested was 2015. Over 25% of reviews requested were for 2015, indicating that the Revenue contact had value as a general reminder for taxpayers to review their tax position.

<sup>3</sup> A copy of the letter is included at Appendix 1.

**Figure 1: Percentage of taxpayers requesting a review by month of request<sup>4</sup>****Figure 2: Percentage of reviews requested by tax year**

## 2.2 Registrations for myAccount among contacted taxpayers

Before the letter was sent, 45,719 of the group of taxpayers who were contacted by Revenue had already registered for [myAccount](#). In the six months after receiving the letter an additional 11,706 taxpayers registered for [myAccount](#) which is a 26% increase. This meant that the total number of registrations in the group who were contacted rose to 57,425.

<sup>4</sup> In the case where the taxpayer has requested a review in more than one month, the earliest month is shown.

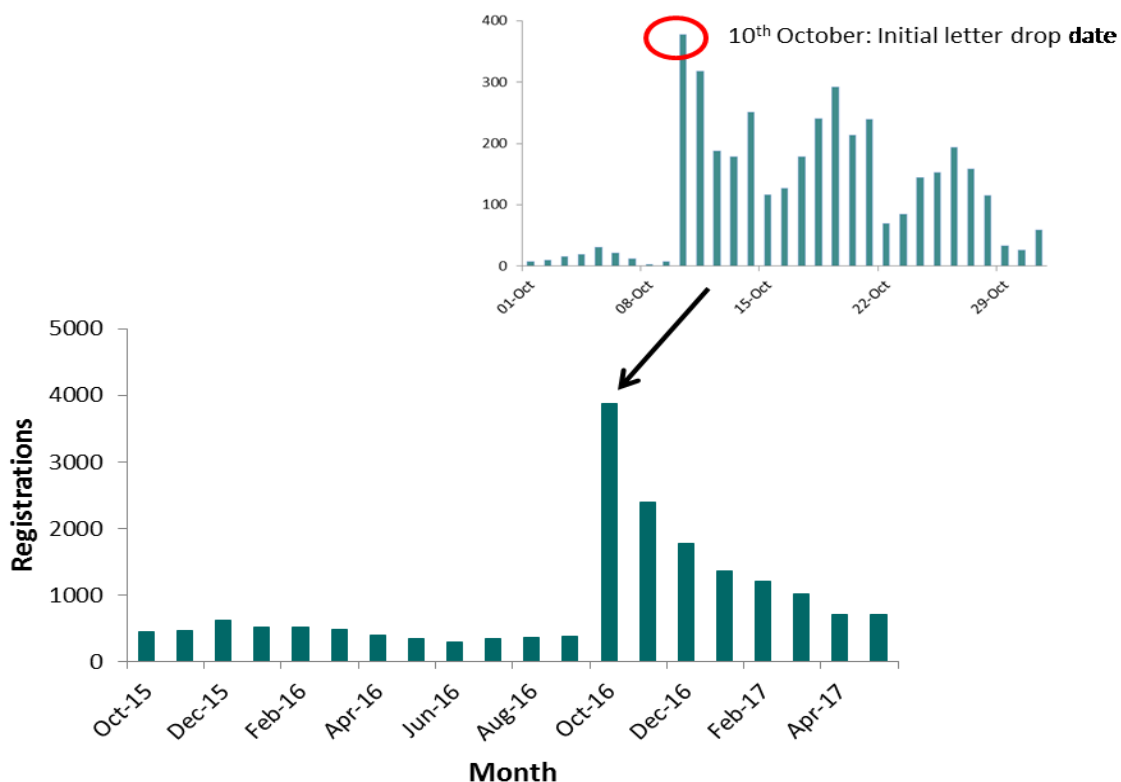
Figure 3 shows the monthly trend in the number of registrations for [myAccount](#) amongst the group of taxpayers who were contacted. It also shows the daily trend in the number of registrations for [myAccount](#) amongst the same group in October 2016 – the month that the taxpayers were contacted.

In the group of taxpayers who were contacted;

- ❑ There was a significant increase in registrations from 10th October 2016 onwards, that is, after the letters started to be received by these taxpayers;
- ❑ The number of registrations on 10th October 2016 was 19 times higher than the average daily number of registrations<sup>5</sup> in the week before the letters were received.

This indicates that receipt of the letter had a significant impact on the number of taxpayers in this group registering for Revenue's [myAccount](#) online service.

**Figure 3: Trend in number of registrations for myAccount among contacted taxpayers**



<sup>5</sup> Registrations on the 10<sup>th</sup> October 2016 were compared to the daily average of registrations in the preceding Monday to Friday (inclusive).

## 2.3 Monetary impact for taxpayers

The changes made by taxpayers who received the letter have been divided into two categories:

1. *Credits, Reliefs & Exemptions*: these reduce the amount of income tax that a taxpayer pays in a given year, or reduce the amount of income tax owed, based on a specific event or expense.

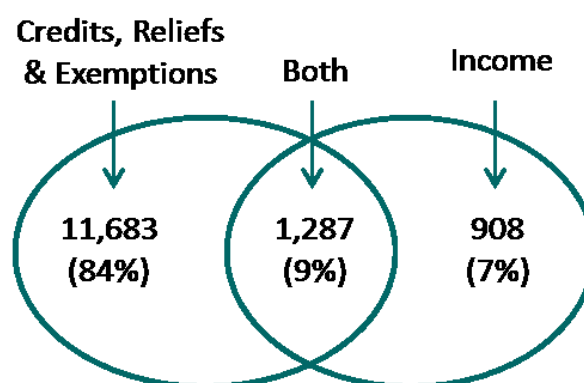
12,970 taxpayers claimed a relief, exemption, or credit; a total of €27.6m was refunded or credited to taxpayers on foot of these claims.

2. *Income*: a declaration of additional income and payment of any tax due.

2,195 taxpayers reported additional income and paid a total of €1.2m tax on this income.

Figure 4 shows the number and percentage of taxpayers who claimed a relief, exemption, or credit, declared an income, or did both.

**Figure 4: Number and percentage of responding taxpayers by response type**



The detail of the net effect for taxpayers, in monetary terms, is shown in Table 1.

**Table 1: Breakdown of changes made**

Type of Change	Number of Changes	Net Effect for Taxpayers	Average Effect per Change	% of Total Changes
Claim Credits, Reliefs & Exemptions	42,092	€27,607,965	€656	93%
Declare income and pay tax	3,189	-€1,190,386	-€373	7%



## 2.4 Detail of types of claims and income declarations

The top two claims were for

1. Health Expenses (40% overall and 49% for tax year 2012);
2. Flat Rate Expenses (21% overall and 19% for tax year 2012).

72% of claims for Health Expenses and 78% of claims for Flat Rate Expenses were submitted online.

Table 2 shows the five most frequent tax credits claimed and incomes declared.

**Table 2: Top 5 types of claim and income declaration**

Change	Number of Changes	Net Effect for Taxpayers	Avg. Amount per Claim	% of Changes Made
<b>Claim Credits, Reliefs &amp; Exemptions</b>				
Health Expenses	17,934	€3,369,123	€188	40%
Flat Rate Expenses	9,358	€566,770	€61	21%
Personal Tax Credit	4,809	€13,979,260	€2,907	11%
PAYE Tax Credit	2,152	€3,493,311	€1,623	5%
Rent Tax Credit	1,371	€290,688	€212	3%
<b>Declare Income<sup>6</sup></b>				
DEASP <sup>7</sup> Illness Benefit	1,264	-€299,073	-€237	2.8%
DEASP Jobseekers Benefit	463	-€220,089	-€475	1.0%
Rental Income	226	-€68,715	-€304	0.5%
Maternity Benefit	203	-€221,518	-€1,091	0.4%
UK Dividends	114	-€17,220	-€151	0.3%

A sample of claims for Personal Tax Credits was reviewed and most were found to be due to a change to the taxpayer's basis of assessment. We also reviewed a sample of claims for PAYE Tax Credits. These were mainly due to taxpayers starting employment, changing employment or a reconciliation of records, as a result of the taxpayer requesting a review.

<sup>6</sup> The five most frequent types of income declared with a monetary effect on the taxpayer have been displayed.

<sup>7</sup> DEASP is the Department for Employment Affairs and Social Protection

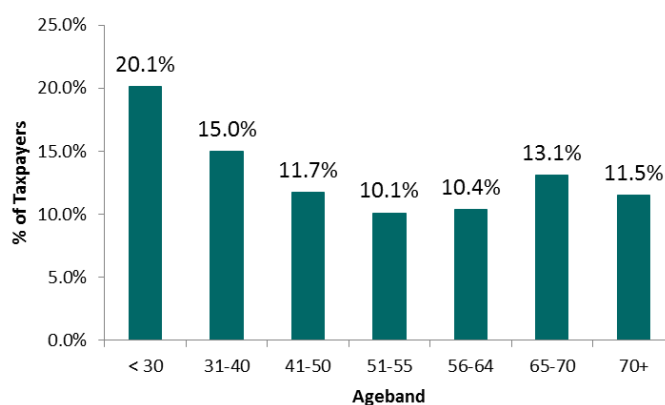
### 3. Evaluation of the Impact on Taxpayer Subgroups

#### 3.1 Age

Figure 5 shows that the percentage of taxpayers who requested a review after receiving the letter varied from 10.1% in the 51-55 age group, to 20.1% in the 21-30 age group.

Only two age groups had a higher than average rate of requesting reviews<sup>8</sup>. These were the 21-30 and 31-40 age groups.

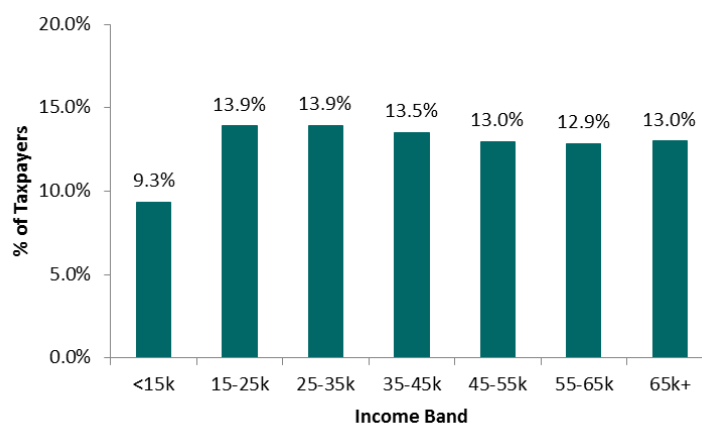
**Figure 5: Percentage of taxpayers in each age band requesting reviews**



#### 3.2 Income

Taxpayers with an annual income of more than €15,000 were more likely to request a review after receiving the letter. Figure 6 shows that those with an income of €15 - 35k had a slightly higher than average rate of requesting a review.

**Figure 6: Percentage of taxpayers in each income band requesting reviews**



#### 3.3 Registered for Revenue's myAccount service

More taxpayers who were already registered for Revenue's [myAccount](#) service before receiving the letter requested a review (18.9% vs. 10.7% of taxpayers who were not already registered).

<sup>8</sup> On average, 13.4% of taxpayers requested a review after receiving the letter.

## 4. Case Studies

These case studies illustrate the types of activities that taxpayers undertook after receiving the letter.

### Taxpayer A: Singly assessed female in her twenties

- ❑ Taxpayer A was not registered for Revenue's [myAccount](#) service.
- ❑ Within four days of receiving the letter, she registered online for [myAccount](#).
- ❑ She obtained a temporary password which enabled her to submit an online Form 12 on the same day to claim tax relief on medical expenses incurred in 2014. She received a refund of almost €200 in respect of this.
- ❑ The following year (February 2017), she updated her tax record in [myAccount](#) submitting an online Form 12 to claim tax relief on medical expenses incurred in 2016, and received a further refund of €70.

### Taxpayer B: Singly assessed female in her forties

- ❑ Taxpayer B was not registered for Revenue's [myAccount](#) service.
- ❑ Within three days of receiving the letter she registered for [myAccount](#).
- ❑ By the end of the month (October 2016) she had applied online for tax relief on medical expenses incurred in tax years 2013, 2014, and 2015, receiving a refund of around €300.
- ❑ She also used [myAccount](#) to submit an online claim for tax relief on Flat Rate Expenses relating to her employment in the medical profession, for which she received tax relief of just over €300.

### Taxpayers C and D: Jointly assessed married couple in their fifties

- ❑ Taxpayers C and D were not registered for [myAccount](#).
- ❑ One month after receiving the letter, they registered for [myAccount](#).
- ❑ They subsequently submitted an online claim for tax relief on non-routine dental expenses incurred in 2015, receiving a refund of €120.
- ❑ They also submitted an online claim for tax relief on third-level tuition fees for their children, in respect of which they received tax relief of over €2,000.

### Taxpayer E: Singly assessed female in her eighties

- ❑ Taxpayer E was not registered for [myAccount](#).
- ❑ One month after receiving the letter, she submitted a paper MED1 form, claiming tax relief on medical expenses incurred in tax years 2012, 2013, 2014, and 2015. She received a refund of almost €1,200.
- ❑ She also applied for tax relief on nursing home expenses, receiving a further refund of almost €200.

## 5. Conclusions

After Revenue directly contacted a cohort of taxpayers who had not engaged with Revenue for more than four years, 15% of the group requested a review, made a claim or declared additional income. There was a 26% increase in the number of registrations for Revenue's [myAccount](#) service. A total of €27.6m was refunded or credited to taxpayers in the cohort on foot of their claims and €1.2m was paid in tax on additional income they declared.

While it cannot be determined that all their subsequent activity was directly caused by the contact, the increased rate of activity by these taxpayers after they were contacted suggests that the letters had a significant positive effect on taxpayer engagement with Revenue.

On this basis, a similar campaign has been implemented in 2017. Since September 2017, Revenue has made direct contact in writing with over 135,000 PAYE taxpayers, advising them of the range of tax credits and reliefs available, and reminding them of the four year statutory time limit in which to claim such entitlements. Results will be available in due course.

## Appendix 1. Letter sent to taxpayers in 2016

### Claim your Tax Credits and other entitlements

Dear ,

I see from our records that you have not made any changes to your tax credits in a number of years.

I am writing to remind you that you may be entitled to claim additional credits and reliefs, and that a 4-year time limit applies to such claims. This means that if you have a claim for the year 2012, we must receive it **by 31 December 2016**.

The quickest, easiest and most convenient way to manage your tax affairs and receive any refund you may be entitled to is **online**, using the services available in **myAccount**. For claims relating to 2012, the PAYE Anytime service should be used; for claims relating to 2013 or later years, the Form 12 should be used. If you are not already registered for myAccount, you should register now at [www.revenue.ie/myaccount](http://www.revenue.ie/myaccount).

When submitting your claim for tax credits, you should also advise us of any additional income sources you may have if you have not previously done so.

Items on which you may be entitled to claim a tax refund include:

- health expenses
- nursing home fees
- tuition fees
- flat-rate expenses.

Further details on these and other tax credits which you may be entitled to are available on [www.revenue.ie/go/161/](http://www.revenue.ie/go/161/) and [www.revenue.id/go/162/](http://www.revenue.id/go/162/) (please ensure you type the web addresses exactly as they are printed here, including the final forward slash).

Yours sincerely,