

# Assessment of compliance with the Code of Practice for Official Statistics

## Statistics on Income Tax

*(produced by HM Revenue and Customs)*

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### **About the UK Statistics Authority**

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the *Statistics and Registration Service Act 2007*.

The Authority's overall objective is to promote and safeguard the production and publication of official statistics that serve the public good. It is also required to promote and safeguard the quality and comprehensiveness of official statistics, and good practice in relation to official statistics.

The Statistics Authority has two main functions:

1. oversight of the Office for National Statistics (ONS) – the executive office of the Authority;
2. independent scrutiny (monitoring and assessment) of all official statistics produced in the UK.

### **Contact us**

Tel: 0845 604 1857

Email: [authority.enquiries@statistics.gsi.gov.uk](mailto:authority.enquiries@statistics.gsi.gov.uk)

Website: [www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk)

UK Statistics Authority  
1 Drummond Gate  
London  
SW1V 2QQ

# **Assessment of compliance with the Code of Practice for Official Statistics**

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## ASSESSMENT AND DESIGNATION

The *Statistics and Registration Service Act 2007* gives the UK Statistics Authority a statutory power to assess sets of statistics against the *Code of Practice for Official Statistics*.

Assessment will determine whether it is appropriate for the statistics to be designated as National Statistics.

Designation as National Statistics means that the statistics comply with the *Code of Practice*. The *Code* is wide-ranging. Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

Designation as National Statistics should not be interpreted to mean that the statistics are always correct. For example, whilst the *Code* requires statistics to be produced to a level of accuracy that meets users' needs, it also recognises that errors can occur – in which case it requires them to be corrected and publicised.

Assessment reports will not normally comment further on a set of statistics, for example on their validity as social or economic measures. However, reports may point to such questions if the Authority believes that further research would be desirable.

Assessment reports typically provide an overview of any noteworthy features of the methods used to produce the statistics, and will highlight substantial concerns about quality. Assessment reports also describe aspects of the ways in which the producer addresses the 'sound methods and assured quality' principle of the *Code*, but do not themselves constitute a review of the methods used to produce the statistics. However the *Code* requires producers to "seek to achieve continuous improvement in statistical processes by, for example, undertaking regular reviews".

The Authority may grant designation on condition that the producer body takes steps, within a stated timeframe, to fully meet the *Code's* requirements. This is to avoid public confusion and does not reduce the obligation to comply with the *Code*.

The Authority grants designation on the basis of three main sources of information:

- i. factual evidence and assurances by senior statisticians in the producer body;
- ii. the views of users who we contact, or who contact us, and;
- iii. our own review activity.

Should further information come to light subsequently which changes the Authority's analysis, it may withdraw the Assessment report and revise it as necessary.

It is a statutory requirement on the producer body to ensure that it continues to produce the set of statistics designated as National Statistics in compliance with the *Code of Practice*.

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# 1 Summary of findings

## 1.1 Introduction

1.1.1 This is one of a series of reports<sup>1</sup> prepared under the provisions of the *Statistics and Registration Service Act 2007*<sup>2</sup>. The Act requires all statistics currently designated as National Statistics to be assessed against the *Code of Practice for Official Statistics*<sup>3</sup>. The report covers the sets of statistics reported in the following publications, produced by HM Revenue and Customs (HMRC):

- *Income Tax Liabilities Statistics*<sup>4</sup> (ITLS);
- *Expenses and Benefit Statistics*<sup>5</sup> (EBS); and
- *Income Tax Receipts Statistics*<sup>6</sup> (ITRS).

1.1.2 This report is shorter than normal. In particular, section 3 adopts an ‘exception reporting’ approach – it includes text only to support the Requirements made to strengthen compliance with the *Code* and Suggestions made to improve confidence in the production, management and dissemination of these statistics. This abbreviated style of report reflects the Head of Assessment’s consideration of aspects of risk and materiality<sup>7</sup>. The Assessment team nonetheless assessed compliance with all parts of the *Code of Practice* and has commented on all those in respect of which some remedial action is recommended.

1.1.3 This report was prepared by the Authority’s Assessment team, and approved by the Board of the Statistics Authority on the advice of the Head of Assessment.

## 1.2 Decision concerning designation as National Statistics

1.2.1 The Statistics Authority judges that the statistics covered by this report are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report. The Statistics Authority confirms that the statistics published in *Income Tax Liabilities Statistics*, *Expenses and Benefit Statistics* and *Income Tax Receipts Statistics* can be designated as National Statistics, subject to HMRC implementing the enhancements listed in section 1.5 and reporting them to the Authority by February 2012.

1.2.2 HMRC has informed the Assessment team that it has started to implement the Requirements listed in section 1.5. The Statistics Authority welcomes this.

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html>

<sup>2</sup> [http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga\\_20070018\\_en.pdf](http://www.opsi.gov.uk/Acts/acts2007/pdf/ukpga_20070018_en.pdf)

<sup>3</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>

<sup>4</sup> [http://www.hmrc.gov.uk/stats/income\\_tax/menu.htm#liabilities](http://www.hmrc.gov.uk/stats/income_tax/menu.htm#liabilities)

<sup>5</sup> [http://www.hmrc.gov.uk/stats/taxable\\_benefits/menu.htm](http://www.hmrc.gov.uk/stats/taxable_benefits/menu.htm)

<sup>6</sup> [http://www.hmrc.gov.uk/stats/income\\_tax/menu.htm#receipts](http://www.hmrc.gov.uk/stats/income_tax/menu.htm#receipts)

<sup>7</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment/guidance-about-assessment/criteria-for-deciding-upon-the-format-of-an-assessment-report.pdf>

### 1.3 Summary of strengths and weaknesses

- 1.3.1 HMRC has carried out a survey of users of these statistics to improve its understanding of the range of uses made of them and to inform future changes to the statistical releases. HMRC has published a summary of the responses to the survey<sup>8</sup> on its website.
- 1.3.2 The background information about income tax liabilities in *ITLS* is very clear, which makes the publication accessible to non-experts. However, this good practice does not extend to all aspects of the publication, nor to the *EBS* and *ITRS*. Clearer contextual information could be provided, particularly to explain the differences between tax liabilities and income tax receipts statistics.

### 1.4 Detailed recommendations

- 1.4.1 The Assessment team identified some areas where it felt that HMRC could strengthen its compliance with the *Code*. Those which the Assessment team considers essential to enable designation as National Statistics are listed in section 1.5. Other suggestions, which would improve the statistics and the service provided to users but which are not formally required for their designation, are listed at annex 1.

### 1.5 Requirements for designation as National Statistics

<b>Requirement 1</b>	Announce changes to methods or classifications well in advance of the release of the changed statistics (para 3.2).
<b>Requirement 2</b>	Enhance the published information about methods in <i>EBS</i> and <i>ITRS</i> (para 3.3).
<b>Requirement 3</b>	Publish more information about the quality of these statistics in relation to the range of potential uses (para 3.4).
<b>Requirement 4</b>	Ensure that the statistics, and related commentary, which are not National Statistics are clearly labelled (para 3.6).
<b>Requirement 5</b>	Improve the commentary and contextual information in the releases so that it aids user interpretation of the statistics (para 3.7).
<b>Requirement 6</b>	Improve the accessibility of these statistics through its website (para 3.8).

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<sup>8</sup> [http://www.hmrc.gov.uk/stats/income\\_tax/user-survey-results.pdf](http://www.hmrc.gov.uk/stats/income_tax/user-survey-results.pdf)

## 2 Subject of the assessment

- 2.1 *Income Tax Liabilities Statistics (ITLS)* shows the expected amounts of tax due on incomes arising in a given tax year. HMRC publishes these statistics twice a year in April and December or January. They are drawn from the Survey of Personal Incomes<sup>9</sup> (SPI), itself based on a sample of around 600,000 individual records from HMRC's main administrative systems<sup>10</sup>. *ITLS* provides detailed analysis of the distribution of tax liabilities by taxpayer characteristics (such as income, sex, age and region). SPI results only become available several years after the tax year to which they relate, and HMRC publishes projections of income tax distributions for more recent years in *ITLS*. The projections are based upon the latest economic forecast published by the Office for Budget Responsibility (OBR).
- 2.2 *Expenses and Benefit Statistics (EBS)* shows taxable expenses and benefits. HRMC publish these statistics annually. The statistics are compiled by matching data provided by employers (on taxable expense payments and benefits in kind on HMRC's Employer Compliance System<sup>11</sup>) with the SPI. HMRC told the Assessment team that the 2008-09 SPI has been delayed due to technical problems with the introduction of a new PAYE (Pay-As-You-Earn) computer system and consequently the 2007-08 data have been used to produce projected figures for 2008-09 in *EBS*. In September 2010 HMRC published a note<sup>12</sup> on its website alerting users to the delay to the SPI.
- 2.3 *Income Tax Receipts Statistics (ITRS)* shows the amounts paid and collected in a given year. HMRC publishes provisional receipts statistics for the previous tax year each April in *ITRS*, and updates these in September. The data on income tax receipts are extracted from HMRC's administrative systems. The updated data published in September reflect the data published in the HMRC Trust Statement<sup>13</sup>. The statistics included in the April *ITRS* are produced before the publication of the Trust Statement and are labelled as provisional. *ITRS* includes statistics on total income tax broken down by income tax receipts, repayments and income tax credits. Total income tax receipts statistics are also published by the Office for National Statistics (ONS) in *Financial Statistics*<sup>14</sup> and by HMRC in its *Annual Report and Accounts*<sup>15</sup>.
- 2.4 HMRC produces projections of income tax liabilities and expenses and benefit recipients, both based on the SPI. The projections provide a more up-to-date assessment of income tax distributions than are available using SPI data. The projections are not currently National Statistics, but HMRC publishes them (with caveats) in *ITLS* and *EBS*, as contextual information to aid user understanding.

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<sup>9</sup> [http://www.hmrc.gov.uk/stats/income\\_distribution/inc-distribution-note.pdf](http://www.hmrc.gov.uk/stats/income_distribution/inc-distribution-note.pdf)

<sup>10</sup> These cover individuals with a PAYE (Pay-As-You-Earn) record, those who have completed a self-assessment and claims cases who have had too much tax deducted on incomes at source and claim a repayment from HMRC.

<sup>11</sup> <http://www.hmrc.gov.uk/manuals/PSAmanualnew/PSA6000.htm>

<sup>12</sup> <http://www.hmrc.gov.uk/stats/delay-sept10.htm>

<sup>13</sup> The Trust Statement reports revenues and expenditures related to taxes and duties for each financial year <http://www.hmrc.gov.uk/about/hmrc-accs-0910.pdf>

<sup>14</sup> <http://www.ons.gov.uk/ons/rel/fin-stats/financial-statistics/no--591--july-2011/financial-statistics.pdf>

<sup>15</sup> <http://www.hmrc.gov.uk/about/reports.htm>

HMRC did not wish to include the projections within the scope of this Assessment.

- 2.5 HMRC and HM Treasury use tax liabilities statistics to provide policy advice to government departments on the operation and development of the UK income tax system. The OBR uses tax liabilities statistics in assessments of income tax trends for tax forecasting and for assessing fiscal sustainability. HMRC uses income tax receipts statistics for recording the revenue from income tax in the UK. HMRC provides liabilities statistics to the Department for Work and Pensions as input to Households Below Average Income statistics<sup>16</sup>. The statistics are also used by academics, the media and other commentators on the workings of the income tax system.
- 2.6 The statistics are produced from administrative systems and the annual staff cost of producing the publications is £6,000 for *ITLS*, £5,000 for *EBS* and between £1,000 and £2,000 for *ITRS*.

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<sup>16</sup> [http://statistics.dwp.gov.uk/asd/index.php?page=hbai\\_arc](http://statistics.dwp.gov.uk/asd/index.php?page=hbai_arc)

### 3 Assessment findings

- 3.1 Between April and July 2011, HMRC carried out a survey of users of its income tax statistics, inviting comments on its publications and areas for improvement. HMRC has published the findings from this survey (see paragraph 1.3.1), including information about the use made of the statistics. Before this users survey, HMRC told us that it knew very little about the users and uses of its statistics and it had not reviewed the relevance of the statistics it published. HMRC now invites user feedback in *ITLS*, *EBS* and *ITRS* and clearly explains how users' views will influence the development of its statistics, including a commitment to summarise and publish user comments at regular intervals.
- 3.2 HMRC does not routinely announce changes to methods and classifications in advance of the published statistics. For instance, it told us that it is changing the method it uses to produce expenses and benefit statistics, but this has not been announced. HMRC should also announce the date that significant changes to the underlying tax system will be incorporated in the published statistics. As part of the designation as National Statistics, HMRC should announce changes to methods or classifications well in advance of the release of the changed statistics<sup>17</sup> (Requirement 1).
- 3.3 HMRC publishes useful information about the methods used to produce its tax liabilities statistics, but it does not publish sufficient information about the methods used to produce the expenses and benefit and income tax receipts statistics. As part of the designation as National Statistics, HMRC should enhance the published information about methods in *EBS* and *ITRS*<sup>18</sup> (Requirement 2).
- 3.4 HMRC publishes some good information about the quality of the statistics in *ITLS* including a clear description of the confidence intervals for key data and information about other potential sources of error. However, HMRC does not publish sufficient information about quality in *EBS* and *ITRS*. For example in *ITRS* some statistics, such as overseas payments, have been excluded since 2006-07 due to their unreliability but no further detail is given about the impact of this for users. As part of the designation as National Statistics, HMRC should publish more information about the quality of these statistics in relation to the range of potential uses<sup>19</sup> (Requirement 3).
- 3.5 The projections HMRC publishes in *ITLS* and *EBS* are not National Statistics, but they are likely to be very important for users as they bring the published statistics more up to date. *ITLS* includes some information about the methods used to produce the projections, but *EBS* includes very little such information and there is room for more information about the assumptions that feed into the tax liabilities projections. There is also very little published information about the quality of the projections – for example, HMRC does not publish any information about how previous projections have compared with actual outturn data, nor any variant projections<sup>20</sup>. We suggest<sup>21</sup> that HMRC review the

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<sup>17</sup> In relation to Principle 2, Practice 4 of the *Code of Practice*

<sup>18</sup> In relation to Principle 4, Practice 1 of the *Code of Practice*

<sup>19</sup> In relation to Principle 4, Practice 2 of the *Code of Practice*

<sup>20</sup> Variant projections are those based on alternative assumptions

methods used to produce the projections and the quality of the projections themselves, in relation to the needs of users, with a view to complying with the *Code*.

- 3.6 The April 2011 *ITLS* included projections for 2008-09 to 2011-12 and the 2011 *EBS* included projections for 2008-09. Both *ITLS* and *EBS* publications state in the introduction that the projections are outside the scope of National Statistics but the distinction is not explained and the labelling elsewhere in the reports should be clearer. For example, in the 2011 *EBS* the last two bullet points in the summary of key statistics relate to the projections but do not make it clear that the statistics are not National Statistics. As part of the designation as National Statistics, HMRC should ensure that the statistics, and related commentary, which are not National Statistics are clearly labelled<sup>22</sup> (Requirement 4).
- 3.7 Since January 2011, HMRC has published tax liabilities, income tax receipts, and expenses and benefit statistics in statistical bulletins including background information and commentary, with published tables also available separately. While each of these releases includes some good practice, they are not consistent. For example, *ITRS* includes charts to help illustrate the statistics, but *ITLS* only includes tables of data. There is room for more commentary and contextual information in *EBS* and *ITRS*, to help users interpret the statistics. As part of the designation as National Statistics, HMRC should improve the commentary and contextual information in the releases so that it aids user interpretation of the statistics<sup>23</sup> (Requirement 5). We suggest that in meeting this requirement HMRC should consider the points detailed in annex 2.
- 3.8 *ITLS*, *EBS* and *ITRS* are not easily accessible on HMRC's website. As part of the designation as National Statistics, HMRC should improve the accessibility of these statistics through its website<sup>24</sup> (Requirement 6).
- 3.9 Past releases of *ITLS*, *EBS* and *ITRS* are available on the National Statistics Publication Hub. HMRC publish future release dates on its website but these are not available on the Publication Hub. We suggest that HMRC take steps to ensure that future release dates are available on the Publication Hub.
- 3.10 HMRC told us that statistics on income tax liabilities and income tax receipts are not presented together as the uses are different and users would find this confusing. The differences between the statistics are explained on its website, but this information is not included in the releases. HMRC could do more to explain how the statistics relate to each other and to other available sources of tax statistics, and the implications for users. We suggest HMRC provide more information for users about the relative uses of income tax liabilities and income tax receipts statistics, and about the extent of coherence between these sources and with other sources.
- 3.11 In 2011 HMRC granted 8 people access<sup>25</sup> to its income tax receipts statistics and 15 people access to its income tax liabilities statistics prior to their release.

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<sup>21</sup> In relation to Principle 4, Practice 2 of the *Code of Practice*. Were these projections already National Statistics, or the producer was seeking their accreditation, this Suggestion would have been cast as a Requirement

<sup>22</sup> In relation to Principle 8, Practice 1 of the *Code of Practice*

<sup>23</sup> In relation to Principle 8, Practice 2 of the *Code of Practice*

<sup>24</sup> In relation to Principle 8, Practice 4 of the *Code of Practice*

## Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to the *ITLS*, *EBS* and *ITS*, in the interest of the public good. These are not formally required for designation, but the Assessment team considers that their implementation will improve public confidence in the production, management and dissemination of official statistics.

- |                     |   |
|---------------------|---|
| <b>Suggestion 1</b> | Review the methods used to produce the projections and the quality of the projections themselves, in relation to the needs of users, with a view to complying with the <i>Code</i> (para 3.5).                        |
| <b>Suggestion 2</b> | Consider the points detailed in annex 2 furthering seeking to improve the statistical releases (para 3.7).  |
| <b>Suggestion 3</b> | Take steps to ensure that future release dates are available on the publication hub (para 3.9).   |
| <b>Suggestion 4</b> | Provide more information for users about the relative uses of income tax liabilities and income tax receipts statistics, and about the extent of coherence between these sources and with other sources. (para 3.10). |

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<sup>25</sup> <http://www.hmrc.gov.uk/stats/prerelease.pdf>

## **Annex 2: Compliance with Standards for Statistical Releases**

A2.1 In October 2010, the Statistics Authority issued a statement on *Standards for Statistical Releases*<sup>26</sup>. Whilst this is not part of the *Code of Practice for Official Statistics*, the Authority regards it as advice that will promote both understanding and compliance with the *Code*. In relation to the statistical releases associated with HMRC's Income Tax Statistics, this annex comments on compliance with the statement on standards.

A2.2 In implementing any Requirements of this report (at paragraph 1.5) which relate to the content of statistical releases, we encourage the producer body to apply the standards as fully as possible.

### **Appropriate identification of the statistics being released**

A2.3 All three releases include the coverage (United Kingdom), the frequency of the release and the date of the next release on the front cover. The background information included in all the releases explains the nature of the new release and which data are new. A contents list is given for each release.

A2.4 All three releases have the name of the originating department and name and contact details for the responsible statistician on the front page. All the releases include a section which briefly describes which statistics are included in the release and the tables presented by the key variables.

### **Include commentary that is helpful to the non-expert and presents the main messages in plain English**

A2.5 Both *ITLS* and *EBS* contain a section with bullet points providing an overview of the main findings. Table numbers for the more detailed data are given. *ITRS* does not contain such a summary of key messages.

A2.6 *ITLS* contains a page of useful commentary for each table which includes comments on the likely impact of changes to the economy. For example 'taxpayer numbers in this period are also likely to have been affected by the recession in the UK economy' but this commentary is not accompanied by any charts or graphs. *EBS* has no further commentary other than the summary of key statistics section – it does not contain any descriptive statements explaining the possible reasons for the latest changes. The release contains no charts or graphs. *ITRS* contains a commentary section which contains charts and graphs to highlight key points.

### **Use language that is impartial, objective and professionally sound**

A2.7 The text in the releases is impartial and objective.

### **Include information about the context and likely uses**

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<sup>26</sup> <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-releases.html>

- A2.8 A paragraph is included in *ITLS* and *EBS* which gives a brief overview of who might be interested in the statistics and why. *ITRS* does not include information about users and uses.
- A2.9 Details of changes to policies which impact on the statistics are included in all three releases.
- A2.10 Annex B of *ITLS* includes information about SPI sampling errors, and confidence intervals are given for the number of UK taxpayers and total tax liabilities. *ITLS* explains the methods used to produce the projections but does not give information about the accuracy of the projections. *EBS* and *ITRS* do not contain information about the quality or reliability of the statistics in relation to their use.

**Include, or link to, appropriate metadata**

- A2.11 *ITLS* includes a data sources and methodology section which gives useful metadata to accompany the statistics. *EBS* includes a data sources and methodology section, but it includes relatively little information. *ITRS* does not contain a data sources and methodology section.
- A2.12 *ITLS* does not mention the ONS's and HMRC's other publications which include comparable total income tax liabilities figures.

## **Annex 3: Summary of assessment process and users' views**

A3.1 This assessment was conducted from May to September 2011.

A3.2 The Assessment team – Catherine Barham and Jacob Wilcock – agreed the scope of and timetable for this assessment with representatives of HMRC in May. The Written Evidence for Assessment was provided in June and July. The Assessment team subsequently met HMRC during August to review compliance with the *Code of Practice*, taking account of the written evidence provided and other relevant sources of evidence.

### **Summary of users contacted, and issues raised**

A3.3 Part of the assessment process involves our consideration of the views of users. We approach some known and potential users of the set of statistics, and we invite comments via an open note on the Authority's website. This process is not a statistical survey, but it enables us to gain some insights about the extent to which the statistics meet users' needs and the extent to which users feel that the producers of those statistics engage with them. We are aware that responses from users may not be representative of wider views, and we take account of this in the way that we prepare assessment reports.

A3.4 The Assessment team received 8 responses from the user consultation. The respondents were grouped as follows:

Data suppliers	4
Government departments	2
Devolved administrations	1
Academic think tank	1

A3.5 The majority of respondents reported satisfaction with the producer team, both in terms of supplying data and using the statistics. Suppliers found the process of providing data clear and straightforward. A number of users requested further breakdowns for certain tables and more detail on methods used in the production of the statistics.

### **Key documents/links provided**

Written Evidence for Assessment document



