

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

## Statistics on Indirect Taxes

*(produced by HM Revenue & 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.

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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 set of statistics presented in the *Indirect Taxes*<sup>4</sup> series produced by HM Revenue & Customs (HMRC) and reported in:

- *Aggregates Levy;*
- *Air Passenger Duty;*
- *Alcohol Duties;*
- *Betting, Gaming and Lottery Duties;*
- *Climate Change Levy;*
- *Hydrocarbon Oils Duties;*
- *Insurance Premium Tax;*
- *Landfill Tax;*
- *Tobacco Duties; and*
- *Value Added Tax.*

1.1.2 Section 3 of this report 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>5</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 *Indirect Taxes* series is designated as National Statistics.

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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> <https://www.uktradeinfo.com/index.cfm?task=bulletins>

<sup>5</sup> <http://www.statisticsauthority.gov.uk/assessment/assessment/guidance-about-assessment/criteria-for-deciding-upon-the-format-of-an-assessment-report.pdf>

1.2.2 Given the progress made in improving the presentation of its statistical releases, the Authority invited HMRC's Head of Profession for statistics to commit to address each of the issues identified in this assessment report. Following this, the Head of Profession has confirmed that a number of steps, which would otherwise have been formal recommendations, have already been taken or will be taken; these are noted in the body of the report:

- i) Explain the extent of revisions alongside the revised statistics;
- ii) Publish details of the methods adopted and provide information about the quality and reliability of the indirect taxes statistics;
- iii) Provide commentary in the *Indirect Taxes* series of releases, to aid user interpretation of the statistics.

The specification of improvements expressed in this manner does not diminish the responsibility of HMRC to ensure that it continues to produce this set of statistics in compliance with the *Code of Practice*. We will review progress with these improvements at a later stage.

### **1.3 Summary of strengths and weaknesses**

1.3.1 HMRC has undertaken a project to improve the presentation of its statistical releases. As part of this, it consulted users about the proposed changes and to find out about their use of the statistics. HMRC extended the time series given in the *Indirect Taxes* series of releases following the user feedback. It has also redesigned the statistical releases, to incorporate commentary and information about the quality and reliability of the statistics. At the time this report was published, the majority of newly-designed publications had been published.

### **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*. HMRC has undertaken a project that will address these issues. 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.

## 2 Subject of the assessment

- 2.1 HMRC's *Indirect Taxes* releases present statistics on duty collected for ten main areas, and where relevant the quantities on which those duties are charged, for example the amount of goods released for consumption into the UK (either cleared by customs<sup>6</sup> or produced and released within the UK):
- Aggregates (exploitation of rock, sand and gravel) – the amount of tonnage declared and total receipts;
  - Air passengers – passenger numbers and receipts;
  - Alcohol – amount of wine, spirits, beer and cider released for consumption within the UK and revenue from duty paid;
  - Betting, gaming and lottery – receipts and amount staked, such as, in pool betting, bingo, amusement machines and the National Lottery;
  - Climate change – taxes for industrial and commercial supply of lighting, heating and power (eg electricity, gas and solid and other fuels), designed to reduce emissions of greenhouse gases;
  - Hydrocarbon oils – volume of oils, for example, motor spirits (eg unleaded petrol), diesel and other selected fuels, released for usage within the UK and revenue from duty paid;
  - Insurance premiums – receipts by tax band and total level of liability;
  - Landfill – tonnage of waste declared and total receipts;
  - Tobacco – numbers of cigarettes and weight of other tobacco products, such as cigars, hand rolling tobacco, and revenue from duty paid; and
  - Value added tax – VAT receipts for home goods and services and for imports.
- 2.2 *Indirect Taxes* are published monthly as a series of Excel workbooks giving detailed tables. They complement and add further detail to the higher-level tax publications *Public Sector Finances*<sup>7</sup> produced by ONS/HMT and *Tax and NICs receipts*<sup>8</sup> produced by HMRC.
- 2.3 HMRC uses existing administrative data to compile the statistics. HMRC extracts the data from its bank accounts and the Customs and Excise Core Accounting Systems (the main accounting system used by the former HM Customs and Excise). The statistics also include some additional data from traders' tax returns - such as on insurance premiums, tobacco and alcohol. VAT is the longest running statistical series, beginning in 1972/73. Most of the other series began in the 1990s; the exceptions are *Climate Change* (2001) and *Aggregates* (2002).
- 2.4 There are no legal requirements to publish these statistics but there is a legal requirement to publish audited receipts in HMRC's Annual Report/Trust Statement<sup>9</sup>. The annual receipts in the bulletins are adjusted to match the

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<sup>6</sup> Customs clearance - when customs officials agree to allow goods entering or leaving the country to continue on their journey after all the necessary checks have been made

<sup>7</sup> <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Public+Sector+Finance>

<sup>8</sup> [http://www.hmrc.gov.uk/stats/tax\\_receipts/menu.htm](http://www.hmrc.gov.uk/stats/tax_receipts/menu.htm)

<sup>9</sup> <http://www.hmrc.gov.uk/about/reports.htm>



HMRC Trust Statement once a year, with adjustments made in March (except VAT where the definition of receipts differs<sup>10</sup>).

2.5 The statistics are used by:

- HMRC for enforcement of customs legislation, policy monitoring and development, tax forecasting to predict future revenue;
- academic researchers for carrying out further analysis and research, for example on health and tax;
- government analysts to include the statistics in other statistical releases and cross check against other data sources;
- private businesses to monitor trends within their industry; and
- health and environmental pressure/campaign groups.

2.6 HMRC estimates that it takes about 4 person days per month to prepare and check the indirect taxes statistical releases. There are no direct data collection costs.

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<sup>10</sup> The VAT bulletin is a measure of cash received with no adjustments payments or repayments that are liable but yet to be received.

### 3 Assessment findings

- 3.1 HMRC conducted a user survey from January to April 2010 to better understand how *Indirect Taxes* are used and how the statistical releases could be improved. It proposed to introduce commentary and provide a longer time series. HMRC received 96 user responses and published its consultation response<sup>11</sup> on its website alongside the indirect taxes statistics. It documented the types of uses and outlined the users' views with respect to the proposed changes. HMRC is developing a new style of monthly bulletin which it plans to start publishing in 2012. The Assessment team regards HMRC's review of its bulletins as an example of good practice.
- 3.2 HMRC told us that it has no plans to repeat the user consultation but that it would include an invitation to users to send their views with the new statistical releases. It intends to review its enquiries log to help inform a frequently asked questions document. We suggest that HMRC involve users in reviewing the presentation of the new-style monthly bulletin.
- 3.3 HMRC has published a revisions policy<sup>12</sup> which states that the extent and reasons for revisions will be given with the statistics. It currently flags statistics that are either provisional or revised and gives an outline of the reason for revisions but no indication of the extent of the change. However, its new-style bulletins include explanatory text which set out the reasons for, and extent of, revisions. During the course of this assessment, the Head of Profession for statistics confirmed that the extent of revisions would be explained alongside the revised statistics.
- 3.4 *Indirect Taxes* give some limited explanations about the methods used to produce these statistics, and the quality of the statistics, in the footnotes to tables and a comment sheet at the end of each Excel workbook. These provide some definitional and coverage information but do not clearly set out the main terms such as clearances. The statistical releases do not make sufficiently clear the different reference periods of the clearance and receipt statistics. HMRC is in the process of developing a more detailed reference and background section for *Indirect Taxes*. During the course of this assessment, the Head of Profession for statistics confirmed that details of the methods adopted and quality and reliability of the indirect taxes statistics will be provided.
- 3.5 The statistical releases are published in spreadsheet form with no accompanying commentary. *VAT* is the only one to include some charts. Some further analyses are presented in factsheets<sup>13</sup> for *VAT*, alcohol, betting and tobacco. The factsheets do not provide commentary but illustrate the main trends using charts and give figures for other European countries. During the course of this assessment, the Head of Profession for statistics confirmed that the new-style bulletins will provide commentary and summary charts alongside the detailed tables. We suggest that HMRC should consider the points detailed in annex 2, in seeking to improve the statistical releases.

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<sup>11</sup> <http://www.hmrc.gov.uk/stats/indirect-taxes.htm>

<sup>12</sup> <http://www.hmrc.gov.uk/stats/national.htm>

<sup>13</sup> <https://www.uktradeinfo.com/index.cfm?task=factsheets>

## Annex 1: Suggestions for improvement

A1.1 This annex includes some suggestions for improvement to HMRC's *Indirect Taxes*, 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.

### **Suggestion 1**

Involve users in reviewing the presentation of the new-style monthly bulletin (para 3.2).

### **Suggestion 2**

Consider the points detailed in annex 2, in seeking to improve the statistical releases (para 3.5).

## **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>14</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 *Indirect Taxes*, this annex comments on compliance with the statement on standards.
- A2.2 In implementing the actions identified in this report (at paragraph 1.2.2) 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 Each release has a title that refers to the latest time period covered by the statistics. However neither the title nor the tables make clear that the geographic coverage is the UK. The releases give the publication date and the date of the next release. The frequency of release is not explicitly stated.
- A2.4 The releases give the name of the department and the National Statistics logo at the beginning, and the name of the responsible statistician in the final spreadsheet of the workbook.
- A2.5 The releases do not give any description of the content.

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

- A2.6 The releases are presented as a set of detailed tables without commentary. The *VAT* release includes some charts but without explanation. Other releases do not give charts to illustrate the main findings. HMRC does not publish a summary of the main messages.

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

- A2.7 The brief definitional and explanatory information is impartial. No descriptive statements of the statistics are given.

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

- A2.8 The releases do not give information about the likely uses of the statistics, although some use information was collected and published in the recent user consultation.

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

- A2.9 The footnotes and background material provide some limited information about the quality of the statistics, in particular warning of legislative or tax regime changes that affect the data.

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<sup>14</sup> <http://www.statisticsauthority.gov.uk/news/standards-for-statistical-releases.html>

- A2.10 The data sources are named but no explanation is given about the data collection or audit processes. The releases give some definitional information. Not all main terms are explained, for example, 'clearances'.
- A2.11 Information is only given for the UK but doesn't explain the reasons for not providing geographic disaggregation.
- A2.12 Regular revisions are made, with provisional and revised data marked clearly. A brief explanation is given of the reason for revisions but no indication of the extent of the change.

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

A3.1 This assessment was conducted from July 2011 to January 2012.

A3.2 The Assessment team – Penny Babb and Emma Bowditch – agreed the scope of and timetable for this assessment with representatives of HMRC in July. The Written Evidence for Assessment was provided on 9 September. The Assessment team subsequently met HMRC during September 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 11 responses from the user consultation. The respondents were grouped as follows:

HMRC	1
Other central government	1
Research	2
Commercial	7

A3.5 The statistics are used to monitor trends in relation to specific markets, and economic analysis. Users reported finding the statistics easy to access and that they present key information not available elsewhere. There was some interest in having more detail on product type and industry sector, and in the statistics being available more quickly. Other users were happy with the frequency and timeliness of the releases.

A3.6 Two users reported good engagement with the producer team but one user reported dissatisfaction in not receiving a response to correspondence.

### Key documents/links provided

Written Evidence for Assessment document



