Reducing and consolidating published Official Statistics – Submission

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Executive summary

- HMRC statistics are immensely valuable for policy analysis. Maintaining their usefulness and relevance is vital, and while there is scope for reducing certain statistics, we recommend HMRC regularly review potential additional/new statistics that could be valuable for policy analysis.

- We urge HMRC to carefully consider the impact of the proposed reforms. In particular:
  - Will the reform introduce long-term discontinuities in the series?
  - Could the statistics be relevant to policy development?
  - Will it have downstream impacts on HMRC's ability to respond to FOI requests, enquiries from ministers, etc.?

- Regarding statistics on personal wealth, we recommend that HMRC refocus their resources on improving data coverage of high wealth individuals. We are in favour of discontinuing the current Personal Wealth Statistics, but only if the level of detail in IHT statistics is expanded, and new steps are taken to improve coverage of high-wealth households. We agree with HMRC's claim that the WAS is a good alternative data source for most of the wealth distribution, but this is not true at the top. We suggest that HMRC should work with the ONS to invest in a booster sample for the Wealth and Assets Survey, drawing on information held by the Wealthy unit for sampling purposes.

- The level of detail in Inheritance Tax statistics should be increased, not reduced, especially given the potential reduction in information resulting from a discontinuation of the Personal Wealth Statistics.

- We support the scrapping of some Tax Receipt statistics, and would like to see some of this resource being used to publish liabilities for National Insurance Contributions.

- We strongly oppose the scrapping of Tax Structure statistics, which are an important historical public record that should be very cheap to keep up-to-date.

- Efforts to consolidate publications are welcome. This is a win-win situation as it reduces the resource cost while making the statistics easier to find and use.

About us

Arun Advani is Assistant Professor of Economics and Impact Director of the CAGE Research Centre at the University of Warwick. He is also a Research Fellow at the Institute for Fiscal

Studies, and a Visiting Fellow at the LSE International Inequalities Institute. He studies issues of tax compliance and tax design, with a particular focus on those with high incomes or wealth.

Andy Summers is an Associate Professor of Law at the London School of Economics and an Associate of the International Inequalities Institute at LSE. His teaching and research focuses on tax law and policy, particularly the taxation of wealth. His work also investigates the measurement of inequality using tax data.

Hannah Tarrant is a Research Officer at the London School of Economics, currently working on tax policy, inequality and measurement issues. Prior to joining the LSE, she completed an MPhil in Economics at the University of Oxford.

Our research

We are collaborating on a series of academic research projects that make us frequent users of many of the statistical publications that are relevant to this consultation. Much of our work has taken place in HMRC's Datalab facility, giving us access to anonymised data from the personal tax records of every UK resident in recent years. We use these data to analyse tax policy, inequality and migration issues.

More recently we have made extensive use of available data on personal wealth in our roles within the Wealth Tax Commission, which studied whether a UK wealth tax would be desirable and deliverable.[1] Two of us (Advani and Summers) are Commissioners of this work, and all of us are co-authors of papers which draw on relevant data sources.

Our focus on tax policy and extensive use of HMRC data has given us an insight into some of the key issues and data gaps that persist in official statistics.

General response

This consultation is premised on the statement that "HMRC has a limited resource to produce statistics. Recently, HMRC has developed some new, high-profile statistical releases including monthly statistics on COVID-19 schemes, such as the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme, which has added to the demands on the statistical teams." While we welcome the opportunity to comment on resourcing priorities, we oppose the idea that resource for these COVID-19 statistics should be taken from the existing budget for long-term statistical publications. We are keen to know whether HMRC has argued for additional resource to cover the new COVID-19 statistics? The issues raised by Ed Humpherson stand separate from pressures relating to COVID-19, and we do not think it is helpful to conflate the two.

Aside from this, we agree that it is important to review the usefulness of statistical publications and prioritise resources effectively. As detailed below, there are statistics which we do believe could be reduced. In terms of fulfilling this objective on an ongoing basis, does HMRC have an active programme to assess which additional/new statistics could be useful? Our concern

[1] For further information on the Wealth Tax Commission, visit http://www.wealthtaxcommission.uk.

reading the consultation document is the emphasis on reducing statistics that are of limited use. HMRC are now producing new statistics related to COVID-19 for which there is high public and political demand. However, what active steps are HMRC taking to review what new statistics might be useful in existing areas?

Before giving our detailed response to the specific proposals, we would like to draw attention to three things we believe it is important to consider in relation to any proposed reform:

1. Does the reform come at a cost for long-run statistics by introducing discontinuities?
2. Are the statistics potentially relevant to policy development in that they could play a role in determining which reforms are 'on the table'? Interest in fruitful reforms stems from an awareness of the empirical evidence, which relies on the prior availability of statistics. As such, the availability of statistics should be driven by their *potential* relevance to policy, rather than their current commercial and/or media interest.
3. What downstream impacts on data analysis capacity would trimming the statistics have? For example, would it mean that certain datasets are no longer cleaned/prepped for analysis by HMRC? Would this mean that they could no longer answer FOI requests in these areas, or conduct efficient analysis on request for ministers?

Detailed responses

<u>Publications to be discontinued</u>

Capital taxes

We have our doubts over the value of the Personal Wealth Statistics and would not oppose HMRC refocusing efforts on producing more valuable statistics to replace them. Having worked extensively on projects relating to UK wealth, we have spent time investigating the potential value of the Personal Wealth Statistics for our analysis. We have come to the conclusion that these statistics do not provide a sufficiently accurate representation of the wealth of the living population, or indeed a useful subset of it.

This is primarily because they are based on, and represent, only those estates requiring probate (plus taxpaying estate that do not require probate). Since there are few hard rules governing whether probate is required, the subset of estates represented in these statistics is both non-random and of limited interest. We have further concerns regarding how the underlying tax returns are sampled, particularly for non-taxpaying estates. We understand (through direct correspondence with HMRC) that these are sampled non-randomly and at a rate of 10-20%.

Overall, we therefore support HMRC's proposal to discontinue these statistics, but only on the following two conditions. First, HMRC should invest in new steps to improve statistical coverage of high-wealth households, since the need for this information has not gone away. Second, the coverage of IHT statistics should be expanded to compensate for the loss of the PWS series.

We agree that ONS statistics based on the Wealth and Assets Survey are far more representative and comprehensive. However, there is a pressing need for better data on wealth held at the top of the distribution, where there are known problems of survey under-coverage in the WAS.[2] A key recommendation of the Wealth Tax Commission final report was that HMRC ought to "receive additional resourcing to undertake policy analysis, particularly relating to the taxation of high wealth individuals". We also argued that the ONS and HMRC should work together to "collect better data on high wealth individuals to help inform policy making".[3] As an alternative to simply reducing the information available by scrapping the Personal Wealth Statistics, we would urge HMRC to consider refocusing their resources on filling existing data gaps.

Specifically, we recommend that HMRC works with the ONS to collect better data on high wealth individuals by investing in a "booster" sample for the Wealth and Assets Survey covering high-wealth individuals, along the lines of the German 'SOEP-P' subsample added to the Socio-Economic Panel (SOEP).[4] Sampling for this booster sample could make use of HMRC's knowledge of high wealth individuals identified by the Wealthy unit. This would drastically improve data coverage of high wealth individuals, obviating the need for second-best statistics on top wealth based on IHT returns. It would also present opportunities for HMRC to better understand the distribution of wealth at the top, which may be of benefit to the Wealthy unit.

While our preference would be for HMRC to prioritise efforts on improving direct measures of wealth, we are also keen to support HMRC in exploring complementary approaches. As highlighted in a recent consultation on the future of the Personal Wealth Statistics, there is potential for the SPI to be used to produce statistics on wealth using the investment income method.[5] HMRC agreed that "there are good grounds to explore these data further", and we are happy to provide support with this.

Finally, we are keen to stress that if HMRC discontinues the Personal Wealth Statistics, then we believe there is a strong case for maintaining IHT Tables 12.5 and 12.6, with further disaggregation by value and asset class. Scrapping these would massively reduce information on the distribution and composition of estates and limit the extent to which users could implement basic mortality multiplier methods themselves should they wish to do so.

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[2] Advani, A., Bangham, G. and Leslie, J. (2020). "The UK's wealth distribution and characteristics of high-wealth households." *Wealth and Policy Working Paper 101*. https://www.wealthandpolicy.com/wp/101.html.

[3] Advani, A., Chamberlain, E. and Summers, A. (2020). "A wealth tax for the UK". *Wealth Tax Commission Final Report*. https://www.wealthandpolicy.com/wp/WealthTaxFinalReport.pdf.

[4] Schröder, C., Bartels, C., Göbler, K., Grabka, M. and König, J. (2020) "Millionaires under the Microscope: Data Gap on Top Wealth Holders Closed; Wealth Concentration Higher than Presumed". *DIW Weekly Report 30+31/2020*. DOI: https://doi.org/10.18723/diw_dwr:2020-30-1.

[5] HMRC (2016). "Statistical consultation: possibility of ceasing publication of HMRC's Personal Wealth National Statistics". URL: https://www.gov.uk/government/consultations/statistical-consultation-possibility-of-ceasing-publication-of-hmrcs-personal-wealth-national-statistics.

Income Tax statistics

Tax receipts

We agree that the Income Tax receipts publication no longer holds significant value. Moreover, it is liability statistics that are generally more relevant and important for policy analysis. As such, we would rather see cuts made to receipt statistics, if cuts are required.

We are delighted to hear that discontinuing the receipts publication would "enable the development of better statistics in other releases using the Survey of Personal Incomes", and are keen to see further details of HMRC's plans in this regard. We would also like to highlight a particular gap where statistics would be extremely valuable: liabilities for National Insurance Contributions. The Income Tax statistics already provide a breakdown of Income Tax liabilities, and the lack of such a breakdown for NICs is a serious omission given their importance in the tax system. What would be particularly valuable is a breakdown of NICs liabilities by percentiles of total income and NICs class.

Tax structure and parameter statistics

We strongly oppose the discontinuation of the Tax Structure statistics, being regular users of them ourselves. Having information on how taxes are structured and how this varies year-on-year is essential for policy analysis. These tables not only make it easy to identify changes in the tax system, but also create opportunities for identifying potential policy-relevant research questions. We do not consider the guidance pages to be an adequate substitute for this because there is a lack of historical data available on these pages, and frequent updates and relocations mean that they do not provide a reliable long-term record.

While we appreciate the need for abandoning statistical publications that are of little value and come at a large administrative cost, it seems to us that these publications in particular cannot require significant resources to produce. Their value is as a permanent record of long history, and updating this on an annual basis can be done without calling for any data analysis.

Commentary document for Tables 3.12 to 3.15

We have never used this document ourselves and do not see that it could be of much additional value given that the underlying statistics will continue to be published.

2.2 Consolidation of publications

Pension statistics

It seems sensible to us that the various statistics on pension payments and contributions will be consolidated with the personal and stakeholder pension statistics.

Savings products statistics

Again, it seems sensible to combine the content of separate statistics on savings.

In addition to statistics on ISAs, we would encourage HMRC to publish statistics on other tax-exempt savings products, such as NS&I Premium Bonds. At present, no distributional statistics for these products are publicly available.

Environment

We support the introduction a new Environmental bulletin. This will both reduce resources costs and ease the process for users of these statistics, who will be able to find all information in one place.

2.3 Reduction in frequency of publications

We have no specific concerns.

2. 4 Reduction in coverage of publications

Capital taxes

IHT statistics on discretionary trusts

We do not have a specific view on whether Table 12.7 ought to be retained. We do, however, believe there are areas where additional statistics would be valuable regarding IHT on trusts. First, at present it is only possible to calculate the cost of APR and BPR for estates passing on death. The cost of APR and BPR arising from transfers into trusts, and claims for relief at each 10-year anniversary are not published. We suggest that HMRC should publish:

- The number of claims and amount of APR and BPR claimed on lifetime transfers into trusts, which must be reported on form IHT100.
- The number of claims and value of APR and BPR claimed on trusts at the 10-year anniversary (as is currently provided for estates passing on death in Table 12.2).

Second, we encourage HMRC to publish the tax liability incurred on trusts as a result of Schedule A1 – enveloped property held in excluded property – or alternatively the tax liability incurred by those claiming non-dom status on their IHT return. This will allow analysis of the revenue raised by 2017 reform bringing UK residential property owned indirectly by non-domiciled individuals within the scope of IHT.

IHT statistics on estates passing on death

Though we support the replacement of the current Personal Wealth Statistics, we would encourage HMRC to continue to make available the statistics required for users to construct their own model of the wealth of the living population. There is a general scarcity of accurate information on the wealth held by High Net Worth individuals in the UK, and we are concerned that the stripping back of IHT statistics will further limit our understanding of the distribution and composition of wealth at the top.

With this in mind, we believe it is important to maintain Table 12.5, which provides information on the value of assets in estates by age, gender and marital status. These statistics are key to replicating a basic stratified mortality multiplier method. Table 12.6 provides similar information, but for taxpaying estates only. Though neither table covers all estates passing on death, Table 12.5 represents a much broader population than just taxpaying estates, and so provides additional value for modelling the distribution of wealth among the living population.

Moreover, we believe that further granularity in IHT statistics would provide additional value for the analysis of wealth and Inheritance Tax policy. We therefore support HMRC's proposal to further disaggregate bands (Table 12.4). In particular, we believe HMRC should add new bands covering estates worth more than £1 million (net capital value). These estates account for a quarter of the total value of estates passing on death, 57% of securities and 72% of 'other buildings and land' (Table 12.4), and yet these estates are separated into just two bands. In principle, we believe bands should be wide enough that they contain a reasonable proportion of observations (to avoid statistical disclosure control issues), but not so wide that each band covers a significant width of the distribution. At present, with the existing asset class and net estate breakdown, the lowest frequency in Table 12.4 for estates worth more than £1 million is for mortgages (189 estates worth >£2m), which seems larger than is necessary to guard against disclosure risk.

We would also encourage HMRC to consider disaggregating asset classes further in Tables 12.4, 12.5 and 12.6. Naturally, this must be decided jointly with the disaggregation of bands to ensure statistical disclosure control. Again, there are asset classes for which population frequencies are far from creating SDC issues, such as securities for which no single cell has a frequency of less than 2,760 in Table 12.4.

Benefits in kind statistics

Our primary concern regarding the reduction in coverage of benefits in kind statistics is that this is likely to skew policy debates by measuring some benefits and ignoring others. We believe that HMRC should reinstate the production of the benefit in kind statistics produced until 2019, which highlighted the magnitude of other benefits such as private medical and dental care. Ideally, distributional statistics showing each type of benefit by range of total income would also be published. This would shed light on the extent to which benefits in kind are concentrated among particular income groups. Disclosure issues could be addressed by grouping certain benefits, and aggregating total income bands.

We see that there is a data gap arising from the uptake of payrolling. However, we consider that it should be mandatory for employers to continue providing information equivalent to that provided on P11D, just as company cars have to be explicitly reported. This would not only enable statistical analysis, it is also surely important for HMRC to verify that payroll is used correctly, and that the right amount of tax has been taken. The burden to employers would be minimal, as this information is already needed to calculate the amount of tax to deduct in the first place.

Income tax statistics

We support the move to refocus on reporting outturn statistics only, rather than investing a lot of resource in forecasting, which can be done by the OBR. We do not use the forecasts ourselves.

Petroleum Revenue Tax statistics

While we have no specific concerns regarding the discontinuation of these statistics, we are keen to point out that the new IT system which "does not automatically produce the same level of detail", represents a step in the wrong direction. As the Humpherson review notes (letter to Ruth Stanier):

> …most of HMRC's IT systems, from which the administrative data that underpins almost all of HMRC's official statistics, and other analysis, are drawn, have been designed for operational delivery, rather than for statistical analysis, and have been in place for many years, so may not have the same functionality or flexibility as newer IT systems. Along with the recommendations about statistical quality management, **investment in underlying IT systems to ensure they keep pace with these modern expectations (while also being of wider benefit to HMRC in fulfilling its duty of collecting taxes), will be important to enable HMRC to continue to confidently exploit the value of the data it holds.**

We urge HMRC to consider the impact on statistical publications when making IT upgrades in the future.

We are happy to provide further evidence and elaboration on these points if it is of benefit to you.