

14 November 2007

Paul Gray CB
Chairman
HM Revenue & Customs

Dear Paul

TAX RECORDS AS A STATISTICAL RESOURCE – A REVIEW BY THE STATISTICS COMMISSION

The Statistics Commission today publishes a review of the potential value of taxation records for statistical and research purposes. It makes a case for providing users with more support and – in some cases – more data drawn from UK tax records. These records are already an important source of statistical information but have the potential to shed further light on vital areas of statistical information, from household income and wealth through to population and migration patterns.

The UK has strong statutory controls on the transfer of personal information between different parts of government, and specially such information held by tax authorities. This contrasts with the statutory position in some other advanced countries that allow – and indeed require – statistical authorities to draw on the administrative records of the tax offices as the preferred source of statistical information. The UK position has the practical effect of impeding the use of tax records by the Office for National Statistics and other government statistical agencies. However there may be scope to better exploit the potential of tax records without major legislative change, especially following the passage of the Statistics and Registration Service Act which comes into force in April 2008.

The Statistics Commission's review looks at the current and potential future use of tax data and explores the barriers that inhibit these uses. Our recommendations are set out in full in the report and are mostly addressed to HM Revenue & Customs. Key points are:

1. HMRC should try to find out more about the users and uses of the tax statistics that they publish, and about their users' needs; perhaps by setting up a user group for tax data. By 'user' we mean anyone who draws on the statistical information to inform decisions that have public value. In practice this can include decisions in the private sector or among the general public as well as inside government and public services.
2. Producers of tax data should ensure availability of a comprehensive set of statistics on UK tax revenues and the tax base, filling in the gaps in published statistics identified in our review.

3. HMRC should seek to improve the accessibility of published tax data; in particular addressing concerns about website navigation and multiple sites.
4. HMRC should consider the case for a) a larger Survey of Personal Incomes in terms of sample size, and b) for developing the survey into a longitudinal dataset, perhaps through adoption of a rotating sample.
5. HMRC should establish a secure 'datalab' facility for researchers outside government to access HMRC tax microdata for approved research purposes – akin to those operated by ONS *et al* by various government bodies around the world.
6. HMRC, in conjunction with the departments responsible, should consider the feasibility of enhancing existing official longitudinal microdata sets, as a possible means of meeting the demand for longitudinal data on incomes and tax for research purposes.
7. HMRC and the Office for National Statistics should make use of the provisions in the Statistics and Registration Service Act to provide a legal gateway for the release of tax data for new statistical purposes, where this is not covered by existing legislation.

I would like to acknowledge the substantial assistance that officials at HM Revenue & Customs provided in preparation of this report. Their openness to our enquiries and understanding of the issues bodes well for resolving the various concerns we raise in the report.

I am copying this letter to Sir Michael Scholar, chair designate of the Statistics Board, and to the National Statistician, Karen Dunnell.

Yours sincerely,

A handwritten signature in black ink that reads "David Rhind". The signature is written in a cursive, slightly slanted style.

DR-449