Background Quality Report: Venture Capital schemes

Dimension	Assessment by the author
Introduction	***Context for the quality report.*** Venture capital schemes provide tax relief to individuals investing in smaller, higher risk companies, either directly in an Enterprise Investment Scheme (EIS – introduced in 1994) or indirectly through a Venture Capital Trust (VCT – introduced in 1995). Statistics on the numbers of investors and investees, and the amounts invested, are published annually as National Statistics on the HMRC web site.
Relevance	***The degree to which the statistical product meets user needs in both coverage and content.*** The publication comprises seven tables, 5 for EIS and 2 for VCTs, covering the main areas of interest identified by users: the number and size of investments, by investor and by investee company; and the industry sector and regional breakdowns of EIS companies. The estimated revenue costs of venture capital schemes are published separately on the HMRC web site, in Table 1.5 Main tax expenditures and structural reliefs.
Accuracy and Reliability	***The proximity between an estimate and the unknown true value.*** Data used to prepare the tables are drawn from different sources, as follows: • EIS1 forms for Tables 8.1 to 8.4 • Income tax self-assessment (ITSA) returns for Tables 8.5 and 8.9 • Public data sources for Table 8.6 Forms EIS1 are used by EIS companies to list each investor and investment that qualifies for tax relief, and so provide complete records of qualifying investments. Although EIS1 is normally submitted to HMRC shortly after the investment is made, it could be up to three years later. So the most recent year's figures are provisional (under-) estimates. Tax relief is normally claimed by individuals when completing their ITSA returns. However, a minority of investors, pay income tax through PAYE, and their investments are not captured for analysis. So, although Tables 8.5 and 8.9 provide reliable size distributions, they are not complete. Investments in VCTs are notified to HMRC, but not in a form suitable for data capture. However, all share offers are published on commercial web sites, and these are collected manually to prepare Table 8.6. The total amounts subscribed are also monitored and published by commercial web sites, providing independent validation of the figures in Table 8.6.
Timeliness and	***Timeliness refers to the time gap between publication and***

Punctuality	*the reference period. Punctuality refers to the gap between planned and actual publication dates.*
	Table 8.6 is published in September following the March end of the last finance year, allowing 6 months for data collection and validation. Because of the time lag of up to three years before an investment is reported on Form EIS1, Tables 8.1 to 8.4 are published in December of the year following the latest finance year - a gap of 21 months to allow for later returns and for data collection, analysis and validation. ITSA returns must be submitted by January following each tax year, and Tables 8.5 and 8.9 are published in the following December, again allowing for later returns and for data collection, analysis and validation. To date, publication of all VCS tables has been on time.
Accessibility and Clarity	*Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the metadata, illustrations and accompanying advice.*
	The published tables appear under Personal taxes in the National and Official Statistics area of the HMRC web site, and are available in both pdf and Excel formats. The main page for each scheme (EIS and VCT) provides links to an Introduction as well as to the current tables. The Introductions explain the contents of the tables, and provide links to further details of the scheme policies and recent revisions. The underlying data are not available for independent analysis since they include taxpayer confidential information. However, more detailed analyses of the data are available in the form of a monitoring note which is available on request, as are bespoke analyses, subject to cost and confidentiality constraints.
Coherence and Comparability	*Coherence is the degree to which data that are derived from different sources or methods, but refer to the same topic, are similar. Comparability is the degree to which data can be compared over time and domain.*
	The tables analysing investments in companies by their industry sector and region use Trade Classification Numbers (TCN codes, rather than SIC codes), and Government Office Region (GOR) based on postcode. TCN codes are those recorded when the company first registered with HMRC, and as such might not be up to date or reliably indicate the trade subsequently or currently undertaken. Similarly, companies' postcodes are those of their respective registered offices which might be different from the location of the company's activities. The tables include notes explaining this. Data from companies completing Forms EIS1 and data from individuals completing ITSA returns should be the same in some

	respects, since both relate to the same series of investments. As explained above, there are some differences (eg later EIS returns and non-returns from PAYE investors), and there are no common identifiers with which to reconcile the records. Nevertheless, the published totals agree to within the anticipated differences.
Trade-offs between Output Quality Components	*Trade-offs are the extent to which different aspects of quality are balanced against each other.*
	Accuracy is compromised by both the timing and completeness of the data extracted from EIS1 and ITSA returns, and from the reliability of TCN codes and postcodes. However, these are not considered to be significant factors in terms of the usefulness of the published figures.
Assessment of User Needs and Perceptions	*The processes for finding out about users and uses, and their views on the statistical products.*
	A list of known users and enquirers shows them falling into three main categories: • government departments and agencies, who use the figures mainly for policy development and evaluation; • industry advisers, who use them mainly to brief their clients on the potential value of the relief; and • academic researchers, who use them mainly to evaluate the comparative effects of the relief.
Performance, Cost and Respondent Burden	*The effectiveness, efficiency and economy of the statistical output.*
	There are no additional burdens on business to collect the data, as these are extracted from tax returns.
Confidentiality, Transparency and Security	*The procedures and policy used to ensure sound confidentiality, security and transparent practices.*
	Aggregation, rounding and suppression of small numbers are used to protect against statistical disclosure of taxpayer confidential data.