

**UK Estimates of Top Income Shares 2010-2011:
Note on Methods**

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The HMRC has released Personal Incomes Statistics 2010-11, containing the annual Survey of Personal Incomes (SPI) data that can be used to estimate the top income shares published in the World Top Incomes Database (WTID). The data for 2008-9 continue to be delayed. The WTID estimates involve three steps described below.

1. Population control total

The control total for population is the number of adults aged 15 and over, from the ONS mid-year population estimates. These estimates are calculated by “rolling forward” the decennial census figures, and are routinely revised when the results of the census become available. The results of the April 2011 census revealed a 464,000 shortfall in the rolled-forward population estimates for England and Wales (ONS Statistical Bulletin: *Population estimates for England and Wales, mid-2002 to mid-2010 revised (National)*).

The population total used here for 2010-11 is based on the results of the 2011 census adjusted downwards by 0.58 per cent to allow for the difference of timing between June 2010 and April 2011 (based on the annual growth rate from 2009 to 2010). The figure is 51.781 million. This is 391,000 higher than the previous mid-year estimate.

2. Income control total

The income total is calculated following the new method adopted for 2009-10. The calculation is based on the national accounts (*United Kingdom National Accounts 2012*). There has been some revision of the national accounts, notably the treatment of the insurance sector (see page 10) affecting earlier years, but this does not appear to make a material difference to the earlier estimates.

Total income is defined as follows (using Table 6.1.4, except where indicated):

Balance of primary incomes, gross

- + Social benefits, other than transfers in kind, excluding redundancy fund benefits (Table 5.2.4S), Social Fund benefits (Table 5.2.4S) and employee benefits from employers' liability insurance (Table 6.1.4S)
- Employers' actual social contributions
- Imputed rent of owner-occupiers (Table 6.4)
- Attributed property income of insurance policyholders (Table 6.1.3)
- Imputed social contributions (net)
- Housing benefits (Table 5.3.4S)
- Fixed capital consumption

The fiscal year figures are based on $\frac{3}{4}$ and $\frac{1}{4}$ of calendar years. For 2010-11 the total is £983,554 million. The 2009-2010 income control total is £953,933 million).

3. Adjustment made to 2009 estimate for income fore-stalling

The estimates for 2009-10 were affected by the fact that there was significant bringing forward or forestalling of income in that year in advance of the introduction of the 50 per cent top tax rate. This was taken into account in the 2009-10 estimates in the WTID (see Methodological Note 12 April 2012), making use of the estimates of the HMRC (*The Exchequer effect of the 50 per cent additional rate of income tax*), employing a central estimate of £17 billion (of which £6 billion was taken to be constituted by dividends). Since then, the position has become more complicated by the revisions made by HMRC (*Income tax liability statistics 2010-11 to 2012-13*, January 2013, page 13) to their estimate of the split between pay and dividends, affecting the adjustment made for 2009-10, and by the fact that assumptions have to be made about the “unwinding” of the forestalled income in 2010-11 and subsequent years. Moreover, the 50 per cent rate has been reduced to 45 per cent with effect from April 2013, causing additional possible re-arrangement of income.

In view of these complications, I have decided that it would be better to make no adjustment, and this has been followed for 2010-11. The 2009 figures have been revised to exclude the adjustment previously made (see Methodological Note 12 April 2013).

4. Results

The shares of the top groups for 2010-11 (referred to as 2010 in the database) and the revised figures for 2009-10 are:

Year	Top 10%	Top 5%	Top 1%	Top 0.5%	Top 0.1%	Top 0.05%
2009	41.53%	29.99%	15.42%	11.83%	6.46%	4.90%
2010	38.08%	26.71%	12.55%	9.23%	4.66%	3.45%

The fall in top shares between 2009 and 2010 has to be interpreted in the light of the income forestalling described above, which caused the shares to be higher in 2009 and lower in 2010.