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UK estimates of top income shares 2013-2014 and 2014-2015: Note on Methods

Facundo Alvaredo

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1. Introduction

HMRC has released *Personal Incomes Statistics 2013-14* and *2014-2015*, containing the annual Survey of Personal Incomes (SPI) data that can be used to estimate the top income shares published in the *World Wealth and Income*, WID.world.

As for all the top share estimates since 2009 in WID.world (see Atkinson and Ooms, 2015), there is one significant issue that needs to be taken into account in order to interpret the new figures: the income-forestalling and income-delaying in response to the changes in the top rate of income tax. In March 2009, it was announced by the Labour Government that the top rate was to be raised from 40 to 50 per cent with effect from April 2010, and this led to "considerable forestalling" of income in 2009-10 (Seely, 2014). In March 2012, it was announced by the Conservative Government that the top rate was to be reduced to 45 per cent with effect from April 2013, which again provided an incentive for income to be moved between tax years, in that case from 2012-13 to 2013-14.

2. Population control total

The control total for population is based on the same source as in earlier years. The number of adults aged 15 and over is taken from the ONS mid-year population estimates:

2013 52.798 million
2014 53.189 million

3. Income control total

As explained in Atkinson (2012) and Atkinson and Ooms (2015), from 2009 to 2011 the income control total has been based on the European System of Accounts 95 (ESA95). The formula is set out in Table 1 (where not indicated, source is Table 6.1.4, Blue Book ESA95):

[1] Anthony B. Atkinson, Tony, died on January 1st, 2017. He kindly reviewed and extended the UK series every year since the creation of *The World Top Incomes Database* in January 2011, up to the previous update (Atkinson and Ooms, 2015). With great admiration and respect I take over the task this time.

Table 1
Balance of primary incomes, gross (b.5g)
+ Social benefits, other than transfers in kind;
- Redundancy fund benefits (Table 5.2.4S);
+ Social Fund benefits (Table 5.2.4S);
+ 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 (D.44, Table 6.1.3);
- Imputed social contributions (net);
- Housing benefits (Table 5.3.4S);
- Fixed capital consumption.

The item D.44 (Attributed property income of insurance policyholders) is split in three in ESA2010:
D.441 Attributed to insurance policy holders
D.442 Payable on pension entitlements
D.443 Attributed to collective investment fund shareholders,
which shows that the item D.442 should be added back to the definition of the income total (it has a counterpart in household income) to give Table 2:

Table 2
Balance of primary incomes, gross (b.5g)
+ Social benefits, other than transfers in kind;
- Redundancy fund benefits (Table 5.2.4S);
+ Social Fund benefits (Table 5.2.4S);
+ 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 (D.441);
- Attributed property income to collective investment fund shareholders (D.443);
- Imputed social contributions (net);
- Housing benefits (Table 5.3.4S);
- Fixed capital consumption.

The move from ESA95 to ESA2010 yields a total that is higher by 10 per cent on average for tax years 2009-10, 2010-11, and 2011-12. Besides the correction in D.44, one major reason for the discrepancy is the substantial upward revision of the non-profit institutions serving households (NPISH) in ESA2010 (see ONS, 2014, and 2014a), a sector that has no counterpart in the income tax data, and that is not disaggregated from the present 'household plus NPISH' sector in the national accounts. As done in the previous update (Atkinson and Ooms 2015), I have reduced the ESA2010-based totals (estimated as in Table 2) by 10 per cent. They are:

2013: £ 1,039 billion (mean £ 19,675)
2014: £ 1,091 billion (mean £ 20,515)

These are not completely satisfactory, and should be considered provisional calculations in view of the work that I am currently doing towards the Distributional National Accounts for the UK, which require an improved reconciliation of data sources.

3. Results

The shares of the top groups for 2013-14 and 2014-2015 (referred to as 2013 and 2014 in the database) are:

Year	Top 10%	Top 5%	Top 1%	Top 0.5%	Top 0.1%	Top 0.05%
2013	41.3%	29.6%	14.5%	11.0%	5.9%	4.4%
2014	40.0%	28.6%	13.9%	10.4%	5.5%	4.1%

In calculating the after-tax shares, the total is arrived at by deducting the income tax paid in 2013-14 and 2014-15: £165 billion and £167 billion. The shares of after-tax incomes are:

Year	Top 10%	Top 5%	Top 1%	Top 0.5%	Top 0.1%	Top 0.05%
2013	36.2%	24.6%	11.0%	8.1%	4.2%	3.2%
2014	35.0%	23.7%	10.5%	7.7%	3.9%	2.9%

References

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