

**UK Estimates of Top Income Shares 2009-2010:  
Revised Note on Methods**

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The HMRC has just released Personal Incomes Statistics 2009-10, containing the annual Survey of Personal Incomes (SPI) data that can be used to estimate the top income shares. (The data for 2008-9 have been delayed). The earlier estimates published on 5 March 2012 on the WTID have now been revised to take account of the publication of estimates of HMRC (the Exchequer effect of the 50 per cent additional rate of income tax) showing that the 2009-10 returns included a sizeable amount of income brought forward from 2010-11 in order to avoid the 50 per cent top rate of tax introduced with effect from April 2010 – see Section 2 of this Note.

**1. Estimates for 2009-10 and new method of calculating the income control total**

The control total for population is the number of adults aged 15 and over, from the ONS website (Table B Mid-1971 – Mid-2010 Population Estimates, quinary age groups), and is 50.996 million.

The control total for income could be obtained in two different ways, as is explained in Atkinson (2007, page 90). One can start from the national accounts figure for “Households and non-profit institutions serving households” and subtract items; or one can start from the SPI total and add for the non-taxpaying population. In the past, the UK estimates have been based on the second method, but the national accounts approach offers more likelihood of comparability with the estimates for other countries. In view of this, an alternative calculation has been made for the UK from the national accounts (United Kingdom National Accounts 2011, and earlier years), 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.

The total defined above is in principle more extensive than that used to date, but over the period 2000-1 to 2007-8, the two series converged, and the 2007-8 value is essentially the same (£907 billion compared with £906 billion). It therefore seemed a good year in

which to make the change, and the national accounts total has been used for 2009-10. It should be noted that the earlier method gives a smaller total for 2009-10, and hence would have given higher estimates of the top income shares in 2009-10. The total income is £954,705 million.

## 2. Forestalling of income on account of introduction of 50 per cent top tax rate

The estimate by the HMRC is that between £16 billion and £18 billion of income was brought forward to 2009-10 to avoid (legally) the introduction of the 50 per cent additional tax rate on taxable income in excess of £150,000. Here I have taken the central figure of £17 billion, and have re-calculated the top income shares subtracting this income (the amount will be added to the WTID top share estimates for 2010-11, when the underlying data available). The number of people potentially affected is some 300,000, or 0.6 per cent of total individuals. According to HMRC, dividend income was particularly affected, and inspection of Table 3.7 of the HMRC statistics shows that the increase (some £6 billion) took place largely among incomes above £500,000. In view of this, the £17 billion has been subtracted as follows:

- £1.5 billion from those with total income between £500,000 and £1 million (based on the distribution of UK dividend income in HMRC Table 3.7);
- £4.5 billion from those above £1 million (based on the distribution of UK dividend income in HMRC Table 3.7);
- £11 billion from all those with incomes above £150,000, proportionate to the excess of their income above £150,000.

The shares of the top groups for 2009-10 (referred to as 2009 in the database) are now, compared to those published on 5 March 2012:

2009-10	Top 10%	Top 5%	Top 1%	Top 0.5%	Top 0.1%	Top 0.05%
Now	40.43%	28.69%	13.88%	10.23%	5.11%	3.71%
Previously	41.49%	29.97%	15.41%	11.82%	6.46%	4.90%

## Reference

Atkinson, Anthony B. (2007). The Distribution of Top Incomes in the United Kingdom 1908-2000; in A. B. Atkinson and T. Piketty (editors) *Top Incomes over the Twentieth Century. A Contrast Between Continental European and English-Speaking Countries*, Oxford: Oxford University Press, chapter 4, pp. 82-140.