



HM Revenue  
& Customs

# Consultation about ceasing publication of HMRC's Personal Wealth National Statistics

**Summary of Responses**  
August 2016

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# 1. Executive Summary

## Summary of key points

- Following the consultation in 2015, we will continue to publish National Statistics on the Distribution of Personal Wealth.
- The statistics covering the period 2011 to 2013, which would have been published in September 2015, will now be published on 30th September 2016. This publication will include updates of the eight existing tables.
- The new statistics will also include tables based on property, interest and dividend income data, as suggested by respondents during the consultation.
- We will also publish a commentary document describing the differences in methodology and scope between HMRC's wealth statistics and the ONS's Wealth and Assets Survey. This will describe the limitations of the current statistics which were highlighted in the original consultation document and so reduce the risk of our statistics being misinterpreted by users.
- Following the September 2016 publication, the statistics will continue to be updated once every three years. The subsequent publication is planned for September 2018, as originally scheduled.

## 2. Introduction

### Background

Her Majesty's Revenue and Customs (HMRC) publish regular National Statistics on the Distribution of Personal Wealth. When the statistics were last published, in September 2012, it was announced that future updates of the statistics would be released every three years. The statistics are based on the wealth of estates at death as reported on Inheritance Tax returns. Data on the wealth of estates passing on death are used to estimate the wealth of the living using mortality rates.

As Inheritance Tax returns are not always required on death, the data do not represent all estates. Furthermore, as some forms of wealth are not included in Inheritance Tax returns, not all forms of wealth are represented in these statistics. We refer to the forms of wealth that are recorded through the Inheritance Tax returns as "identified wealth" and to the estates that are represented as the "identified wealth population".

### Consultation on ceasing publication

A consultation on a proposal to cease production of further updates of the statistics ran from 22<sup>nd</sup> July 2015 to 14<sup>th</sup> October 2015. This proposal reflected HMRC's view that there are issues with the methodology used to produce these statistics which may mean they are not suitable for reliably assessing the distribution of wealth amongst people in the UK population as a whole. We suggested that alternative publications on wealth, based on the Office for National Statistics' (ONS) Wealth and Assets Survey, would be a more useful source of information for most potential users. Particular concerns outlined were:

- HMRC's Distribution of Personal Wealth National Statistics only reflect the wealth characteristics of people who leave estates requiring probate (or other forms of legal approval) when they die. This "identified wealth" population was only 31% of the total UK population for the period 2008-10.
- Even restricting attention to the "identified wealth" group, it is not clear that the wealth characteristics of those who have died accurately reflect the wealth characteristics of the living.
- For years from 2006 onwards, the Office for National Statistics has been producing wide range of publications based on their Wealth and Assets Survey (WAS). This is a longitudinal survey of over 20,000 households.
- Both HMRC and the ONS believe the WAS gives a better reflection of the distribution of wealth in the population as a whole, and it is questionable whether the use of Civil Service resources to produce two similar publications is still justifiable.

### Statistics scheduled for September 2015

The next update of the statistics had been due for publication in September 2015. Production of this update was suspended during the consultation and while HMRC considered its response.

## 3. Responses

In total we received three separate responses to this consultation. It should however be noted that some of these responses were produced by multiple authors. These responses came from academics and tax advisors. A previous consultation on these statistics, which ran between October 2010 and January 2011, received 22 responses. The decline in the number of respondents could be taken as evidence that many users of the statistics have begun using the Office for National Statistics' Wealth and Assets Survey data in place of HMRC's data. However, other factors could also have influenced the low response rate.

The original consultation document outlined our proposal and sought users' views on this as broadly as possible. It did not provide a series of further questions.

Responses to the consultation raised a few common issues and we cover those issues on a case by case basis.

### Overview

Most respondents accepted HMRC's view that there were reasons to be concerned with the current methodology used for the Distribution of Personal Wealth Statistics: users agreed that "*the estate-based estimates have evident shortcomings*" and the statistics were "*admittedly imperfect*".

However, respondents were unanimous in disagreeing with the proposal to cease publication. Instead, respondents argued for continued publication, with further investment if necessary to address the existing issues. One response noted that the ONS had [previously described](#) HMRC's statistics as "*a valuable tool in assessing how the wealth of the population has changed over time.*" Contributors to a recent special issue of [Fiscal Studies](#), the journal of the IFS, shared this view, arguing that the statistics were "an essential element when studying top wealth-holdings"<sup>1</sup> which should not be discontinued.

### The purpose and scope of the Personal Wealth Statistics

One user commented that the existing wealth statistics are a useful "*IHT focused statistic*", particularly in regards to increasing public awareness of IHT reliefs. Another user expressed concerns that Inheritance Tax data was "*[a] valuable longitudinal data set in its own right that will now be lost*".

In response we note that, although the Distribution of Personal Wealth National Statistics are derived from IHT data, they are not the primary publication based on these data. HMRC publishes updated [Inheritance Tax National Statistics](#) every year at the end of July, and publication of these statistics will continue.

Users who are interested in understanding the impact of IHT reliefs would be better served by these statistics, which include a detailed breakdown of the use of IHT

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<sup>1</sup> "The challenge of measuring UK wealth inequality in the 2000s", *Fiscal Studies*, Volume 37, Number 1, March 2016

exemptions and reliefs. As a general rule, the time period covered by the latest Inheritance Tax National Statistics update will normally be closer to the present day than the period covered by the latest Distribution of Personal Wealth National Statistics update. IHT exemptions and reliefs are not factored into the Distribution of Personal Wealth National Statistics as such reliefs do not reflect the wealth of the living population.

### **The concept of “Identified Wealth”**

One user referenced “*the difference of view presented by the HMRC and ONS data*” as a reason to continue publication of both statistics. In fact HMRC’s Distribution of Personal Wealth statistics and the ONS’s Wealth and Assets Survey are concerned with two different populations and cannot be directly compared. However HMRC’s published tables do not provide an estimate of the total value of personal wealth in the UK. As noted in the accompanying commentary document, HMRC’s Distribution of Personal Wealth Statistics are “not a suitable data source for estimating total wealth in the UK”.

As explained in the commentary document and in the footnotes to the different tables, HMRC’s statistics show only “Identified Wealth”. “Identified Wealth” is defined as the personal wealth represented by those estates passing through probate each year. Not all estates require a grant of representation, and hence the “Identified Wealth” subgroup does not represent the entire population. For the period 2008 to 2010, the “Identified Wealth” group covered just over 15 million individuals, or 31% of the whole population. Since revisions to the methodology in 2011, HMRC’s Distribution of Personal Wealth statistics make no attempt to estimate the total wealth of the whole UK population.

Prior to these revisions, HMRC attempted to estimate the total “marketable wealth” of the whole population. These estimates depended on a number of assumptions about small estates and jointly held estates as data about these estates was considered to be particularly unreliable. HMRC decided to discontinue these estimates in 2011 in order to focus on the top end of the wealth distribution. As the quality of these data has not improved, we do not intend to revisit this decision.

### **Other comparisons with the ONS’s Wealth and Assets Survey**

Other users disagreed with the suggestion made in the consultation that the ONS’ Wealth and Assets Survey could be better suited to potential users’ needs than HMRC’s statistics. These users were particularly interested in the distribution of wealth at the upper ends of the wealth distribution and wrote:

*“[W]e ... do not believe that the WAS provides on its own a satisfactory source of information about the upper tail of the wealth distribution. The estate-based HMRC estimates are in need of further development, but remain in our view an essential element when studying top wealth-holdings.”*

Given this interest, we think it is appropriate that users interested in this part of the wealth distribution continue to have access to an alternative source of data to the WAS.

## Time series

Another common theme in responses received during the consultation was the existence of time series data. One response noted that the current IHT based estimates “[build] on more than a century of research – much of it carried out by [...] HMRC and its predecessor, the Inland Revenue”.

Although many of the older time series were discontinued in 2011 following the consultation held at that time, the existing publications continue to include time series going back to the beginning of the current century. In comparison, data from the WAS goes back only to 2006.

## Other sources of data on wealth held by HMRC

As noted in the introduction, the current Distribution of Personal Wealth Statistics are based entirely on Inheritance Tax returns. Users of the statistics suggested that HMRC could do more using other data which it currently holds relating to personal wealth. A particular example suggested was the use of data from the Survey of Personal Incomes (SPI):

*“The investment income method has considerable advantages in that the underlying data relate to the living population and the method does not depend on assumptions about the differential mortality rates by wealth classes. [...] However, it does not seem possible to satisfactorily apply the method using the currently [publicly] available data. [...] In our view, the investment income method provides a potentially valuable complementary source and should certainly be explored further”*

We agree that data from the SPI could provide a good complement to the current Inheritance Tax based statistics. We think that there are good grounds to explore these data further.

## 4. Next steps

### Future of the National Statistics

In light of the concerns raised by users, we have decided to continue publishing updates of the statistics. HMRC continues to believe that the Office for National Statistics' Wealth and Assets Survey may cover many potential users' needs better than HMRC statistics. However, we accept that many users find the existing time series in HMRC's statistics to be of some use, and that the WAS data will not be a suitable alternative for every user, particularly those interested in the upper end of the wealth distribution.

In light of the responses received, and following internal discussions within HMRC, we will be making a number of changes to the format and methodology of the statistics. These changes are summarised below:

- We will continue to publish Tables 13-1, 13-2, 13-3. We will make some small changes to the format of the tables to draw users' attention to the fact that these tables are intended to reflect the distribution of wealth as identified from Inheritance Tax returns, rather than estimates of total wealth.
- We will also continue to publish Tables 13-4 and 13-5, which are Official Statistics describing the distribution of liquid wealth.
- We will continue to publish Tables 13-6, 13-7 and 13-8 in their current format. This decision reflects users' stated interest in both longitudinal time series data and in data on the share of wealth held by the upper end of the distribution
- We will include new Official Statistics tables showing figures on property, interest and dividend income, by tax year, during the period of time covered by the other tables. These will be Tables 13.9 – 13.12.
- We will produce a document describing the differences in methodology and scope between HMRC's wealth statistics and the ONS's Wealth and Assets Survey.

### Timetable for future updates

The Distribution of Personal Wealth National Statistics were originally due to be updated in September 2015. This update would have covered the period 2011 to 2013. As the consultation was ongoing during this period, this update did not take place. Following the decision to continue production of the statistics, this update is now overdue. We intend to publish this update on 30th September 2016, before returning to the original publication schedule for subsequent updates.



The new publication timetable will therefore be:

<b>Date</b>	<b>Statistics covering the period ...</b>
September 2016	2011 to 2013
September 2018	2014 to 2016
September 2021	2017 to 2019

Further publications will follow every three years.