

# Comparison between HMRC's Personal Wealth Statistics and the Office for National Statistics' Wealth and Assets Survey

## Introduction

There are two sources of National Statistics that produce estimates of wealth. The first is the HMRC Personal Wealth Statistics<sup>1</sup>, a long standing series first published in 1976, based on administrative data submitted for inheritance tax purposes. The second source is the Wealth and Assets Survey (WAS)<sup>2</sup>, a longitudinal sample survey of private households produced by the Office for National Statistics (ONS) which started in 2006.

Both sets of data use the term 'wealth', but differ in the methodologies and definitions used in the compilation of their estimates. This note describes the two sources of statistics, explains the main differences in their methodologies and definitions and highlights their relative strengths and limitations.

It should be noted that HMRC's Personal Wealth Statistics for 2011-13 include four new investment income tables based on two different HMRC data sources. Tables 13.9 to 13.12 are based on data from HMRC's Survey of Personal Incomes and Self-Assessment tax returns. These new tables are not discussed here. For the purpose of this note, references to HMRC's Personal Wealth Statistics relate to 'wealth' data in tables 13.1 to 13.8 only.

## Summary

- WAS is a large, longitudinal survey covering all individuals living in private households in Great Britain. The survey uses respondents' self-reported valuations (rather than actual valuations), but every effort is made to ensure these are of good quality. The longitudinal nature of the survey means it is useful for considering changes in wealth. However, the survey only commenced in 2006, so it is not possible to carry out time series analyses prior to 2006. **As WAS has more complete population coverage, it is the source of data to use for total wealth and the better source to use for wealth inequality for the periods it does cover.** This is a view held jointly by both ONS and HMRC.
- The main advantages of HMRC's Personal Wealth Statistics are the length of its time series and that it is a good source of data to understand the relative importance of each component of wealth at death, **but it is not representative of the whole population.**

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<sup>1</sup> [HMRC Personal Wealth Statistic 2011-2013](#)

<sup>2</sup> [ONS Wealth and Assets Survey July 2012 to June 2014](#)

- **The definition of wealth in the two series is different, and they therefore should not be directly compared to one another to estimate total wealth.**

## Personal Wealth Statistics

### Background

HMRC publishes Personal Wealth Statistics<sup>3</sup>. This is a long-standing series based on a stratified sample<sup>4</sup> of forms submitted to HMRC for the purposes of administering Inheritance Tax (IHT). These forms are only submitted by estates for which a grant of representation (probate or letters of administration) is required. Not all estates require a grant of representation, as they may not be required if the estate is a low value estate, or if the estate passes to the surviving spouse/civil partner because it was held in joint names, and consequently these estates are not included in these data. The estates that are included are described as “Identified Wealth”. For many years this was the only source of wealth estimates available for the UK.

### Methodology

A stratified sample of estates is analysed and grossed up to represent all estates passing on death and requiring a grant of representation in that year. To estimate how this relates to the wealth of the living population, multipliers<sup>5</sup> are applied to the data based on the mortality rates for the gender, age group and marital status.

Purely grossing the data by mortality rates for age and gender would result in a biased data set as mortality rates for the wealthier are lower in particular age groups and so these estates would be under-represented. The relationship between housing wealth and mortality is modelled based on the English Longitudinal Survey of Ageing (ELSA) using a logistic regression model. Housing wealth is used because there was found to be a stronger relationship with mortality than total wealth. Adjustment factors are calculated for each housing wealth decile, age group, gender and marital status and applied to the data set.

Data for three years are combined to ensure an adequate sample size for the larger estates, so that the data are not disclosive and that the grossed up estimates are based on more representative values. In order to combine the data, each multiplier is divided by 3, so effectively an average is taken across the three years.

### Strengths and limitations

A comparison of the grossed data to the UK population data shows that the data for 2011-13 covers 30% of all estates of the UK population. A higher proportion of the estates of older individuals are covered than those for younger individuals. It should be noted that whilst it is known that low value estates are not covered, the value of other estates not covered (e.g. those held in joint names) could be anywhere on the wealth distribution. Therefore the 30% of estates covered are not necessarily the wealthiest 30% of estates, but the statistics overall are likely to have more representation from the wealthiest estates than lower value estates.

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<sup>3</sup> <https://www.gov.uk/government/statistics/uk-personal-wealth-statistics-2011-to-2013>

<sup>4</sup> A stratified sample is taken based on the type of the estate for Inheritance Tax purposes, the size of the estate and the age of the person passing on death. This allows higher sampling rates to be used for the larger estates and also the younger ages of death, which helps to reduce the variability of the wealth data.

<sup>5</sup> These are calculated factors that the data can be multiplied by to represent the population.

The methodology assumes that estates left on death are typical of those held by the living of the same age, gender and marital status but this is not always the case. For example some assets might be valued differently during life and at death (e.g. life insurance) and some people transfer some wealth to others in order to minimise the size of their estate on death for tax purposes. The data are not adjusted for these valuation differences due to the uncertainty about the size of any differences and about which estates these apply to.

Inheritance Tax forms are completed by professionals or individuals who must make an oath promising that the information provided is true to the best of their knowledge. They will be held to account by beneficiaries and HMRC compliance checks. Assets are also often independently valued before returns are submitted. This is a strength of the data regarding quality and accuracy.

Some assets are not required to be reported on the IHT forms submitted to HMRC, and so will not be captured. **For example, assets held in pensions and trusts do not need to be reported and are so are not included in tables 13.1 to 13.8.**

Up until 2005, HMRC also produced estimates of “Adjusted Wealth”, which contained adjustments to compensate for unrecorded or under-recorded information and for valuation differences; and “Marketable Wealth”, which also included estimates of wealth for the small and joint estates not requiring a grant of representation. The adjustments used to produce these estimates used operational assumptions. Following a review and consultation after publication of the statistics for 2005, it was decided that the assumptions made in order to create these estimates were not robust enough for these series to continue.

## Wealth and Assets Survey

### Background

The Wealth and Assets Survey commenced in 2006 with the aim of measuring the economic well-being of households and individuals from a single source. WAS estimates are fundamental to understanding the distribution of assets and liabilities in Great Britain and fill gaps in official statistics for which evidence was lacking from either other survey sources or administrative data. It collects information concerning all forms of assets held by individuals within private households, including their financial wealth, property wealth, physical wealth and private pension wealth<sup>6</sup>.

### Methodology

During the period 2012-2014, WAS achieved interviews with around 40,000 individuals aged 16 or over in more than 20,000 private households across Great Britain. This is larger than many other similar such surveys around the world. The design of WAS also recognises that wealth is highly skewed, with a small proportion of households owning a large share of the wealth, by over-sampling addresses likely to be in the wealthiest 10% of households at a rate three times<sup>7</sup> higher than other addresses. This ensures both good coverage of the very wealthy and more precise estimates for overall household wealth.

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<sup>6</sup> [How does the WAS measure wealth?](#)

<sup>7</sup> ONS having been looking to further enhance their coverage of the wealthy. The selection criteria has recently been amended to ensure a greater probability of selection for the top 1%, over and above that of the top 10% - further details can be obtained from the Office of National Statistics ([wealth.and.assets.survey@ons.gov.uk](mailto:wealth.and.assets.survey@ons.gov.uk))

## Strengths and limitations

One of the major strengths of WAS is the longitudinal nature of the survey. Each wave of the survey returns to households and individuals interviewed at the previous wave, and from the third wave a new cohort sample was introduced at each wave to take account of the reduction in size of the existing sample because of the attrition that occurs between waves. Longitudinal analysis of the survey allows more precise estimates of change to be made, whilst the large overall sample size provides robust cross sectional estimates for each two year period.

To date, WAS has focused on estimates of household wealth, as many assets are owned on a joint or household basis. Estimates for individual assets are currently available for some kinds of assets (for example, individual financial wealth and individual private pension wealth) but not for total individual wealth. ONS have longer term plans to develop measures of total individual wealth.

Household wealth estimates from WAS are restricted to personal assets only and do not include any business assets owned by individuals within each household or wealth held in trusts.

ONS, together with other key stakeholders in government, have quality assured the WAS based estimates prior to the publication of each wave of data. In general, the WAS estimates have compared favourably with other sources<sup>8</sup>, and where it was determined that there was an element of under or over reporting on the survey, this was clearly stated when publishing the data.

## Comparison of the two sources

The aggregate total wealth (excluding private pension wealth) estimated by WAS is roughly £6,680 billion in July 2012 to June 2014 (or £11,134 billion including private pension wealth). The total identified wealth in 2011-2013 as given in table 13.1 in HMRC's Personal Wealth Statistics is £3,860 billion. **The two figures are not directly comparable as HMRC's Identified Wealth statistics cover only around 30% of the adult population and cannot be used to estimate the total level of personal wealth.**

Annex 1 highlights further differences between the two sources of data and looks at the strengths and limitations of each.

In summary:

- WAS data are only available from 2006; HMRC Personal Wealth Statistics are available from 1976.
- The WAS sample is representative of the wealth of private households in Great Britain; The HMRC Personal Wealth Statistics sample covers roughly a third of the UK population, is based on forms submitted to HMRC for the purposes of Inheritance tax and is likely to have less representation of lower value estates.

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<sup>8</sup> When quality assuring the Wealth and Assets Survey, comparisons are made with many other sources of data. For example estimates from the property section of the WAS are compared to data from the Land Registry, Halifax, Nationwide and the ONS's house prices indices. For financial estimates; ISA comparisons are made to HMRC data, while savings and investments are compared to information from Family Resources Survey (FRS). Estimates of income produced by the survey are validated, comparisons are again made to the FRS, but the Households below average income (HBAI), Annual Survey of Hours and Earnings (ASHE) and the Survey of Personal Incomes (SPI) are also considered.

- The definition of wealth used in the two series is not the same, therefore the series now available from WAS cannot be compared with the value of wealth estimates from the historic HMRC series. The HMRC statistics do not provide a total wealth estimate. The WAS statistic is therefore best used for purposes of estimating total wealth.

## Annex 1 - Key differences between wealth estimates from WAS & HMRC

	<b>HMRC Personal Wealth Statistics</b>	<b>ONS Wealth and Assets Survey</b>	<b>Comment on strengths and limitations</b>
Source	The statistics are based on a sample of forms submitted to HMRC for the purposes of administering Inheritance Tax (IHT), required only of those estates that obtain a grant of representation (probate).	Self-reporting sample survey of private households.	<p>WAS self-reported wealth values may be less accurate than the tax returns, which are often prepared by professionals. However, ONS makes every effort to ensure the highest quality data possible is collected i.e. the survey is only conducted on a face-to-face basis, using highly trained and well briefed interviewers. Respondents are encouraged wherever possible to refer to documentation (e.g. mortgage statements, pension statements). The WAS data are quality assured and compared with other data sources for consistency and are documented in the latest WAS publication.</p> <p>As the HMRC source data only capture certain individuals (those that are wealthier and recently deceased, and not estates that are passed to the surviving spouse / civil partner as they were jointly owned), there is no claim made that these are representative of the whole UK population. It has always been recognised that this source of data does not fully represent lower value estates.</p>
Unit	Individual	Household	WAS estimates are presented at a household level, whereas the HMRC statistics are at an individual level.
Coverage	Personal Wealth Statistics only include wealth represented by the estates that need a grant of representation. In 2011-13, this covered around 30% of individuals in the UK.	All persons living in private households in Great Britain.	Whereas the latest Personal Wealth Statistics do not include estimates relating to the whole population (those without a grant of representation), those originally published for the years up to 2005 did include some information on “Adjusted Wealth” and “Marketable Wealth” which adjusted for both assets likely to be excluded or undervalued and for the ‘missing’ population. HMRC discontinued publication of these tables with effect from the 2011 release following a public consultation, partly because of the uncertainties surrounding the robustness of the adjustments made and partly because WAS

			was becoming available as a better alternative data source on the wealth of the population. Historical tables are still available in the <a href="#">national archives</a> but these should not be compared to the WAS time series because of concerns about the robustness and reliability of the data. These tables are also based on one year datasets which introduced considerable volatility in the data.
Wealth Definition	HMRC's statistics include business assets but do not include private pension wealth or assets in the form of trusts.	WAS does not include the business assets of individuals or wealth held in trusts, but does include private pension wealth.	Wealth held in pensions makes up around 38% of overall wealth estimates on WAS, but together with assets held in trusts, is not included in the Personal Wealth Statistics data. Business assets are included in the Personal Wealth Statistics but are not included in the WAS. Wealth held in trusts is not included in either data source.
Time series	Series commenced in 1976	Series commenced in 2006	The Personal Wealth Statistics series has been produced for many years, but its limitations have been recognised. The latest estimates do not cover the whole population. The WAS only commenced in 2006, so it is not possible carry out time series analyses from before then. As WAS has better population coverage, both ONS and HMRC hold the view that it is the better source of data on wealth for the periods it does cover.