

Improving
FRS income
data for
improved
tax policy
analysis

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High income households in FRS

Under-representation and mis-reporting means the highest incomes recorded in FRS are lower than the highest incomes in the population.

Creates problems for:

- income distribution analysis
- estimating tax liabilities
- modelling tax policies.

The HBAI adjustment

Reduces the impact of under-representation and under-reporting by using admin data from the Survey of Personal Incomes (SPI) to:

- Re-weight the population
- Replace the highest reported incomes with average incomes

Applying the HBAI adjustment to FRS

Applying the same adjustment to FRS allows for more complex analysis of incomes, tax liabilities, and tax policies.

HBAI:

investment income = £100

FRS:

income from savings = £60

income from dividends = £40

Applying the HBAI adjustment to FRS

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HBAI:

investment income = £1000

FRS:

income from savings = £60

income from dividends = £40

Applying the HBAI adjustment to FRS

Applying the same adjustment to FRS allows for more complex analysis of incomes, tax liabilities, and tax policies.

HBAI:

investment income = £1000

FRS:

income from savings = £600

income from dividends = £400

Tax-Benefit Modelling

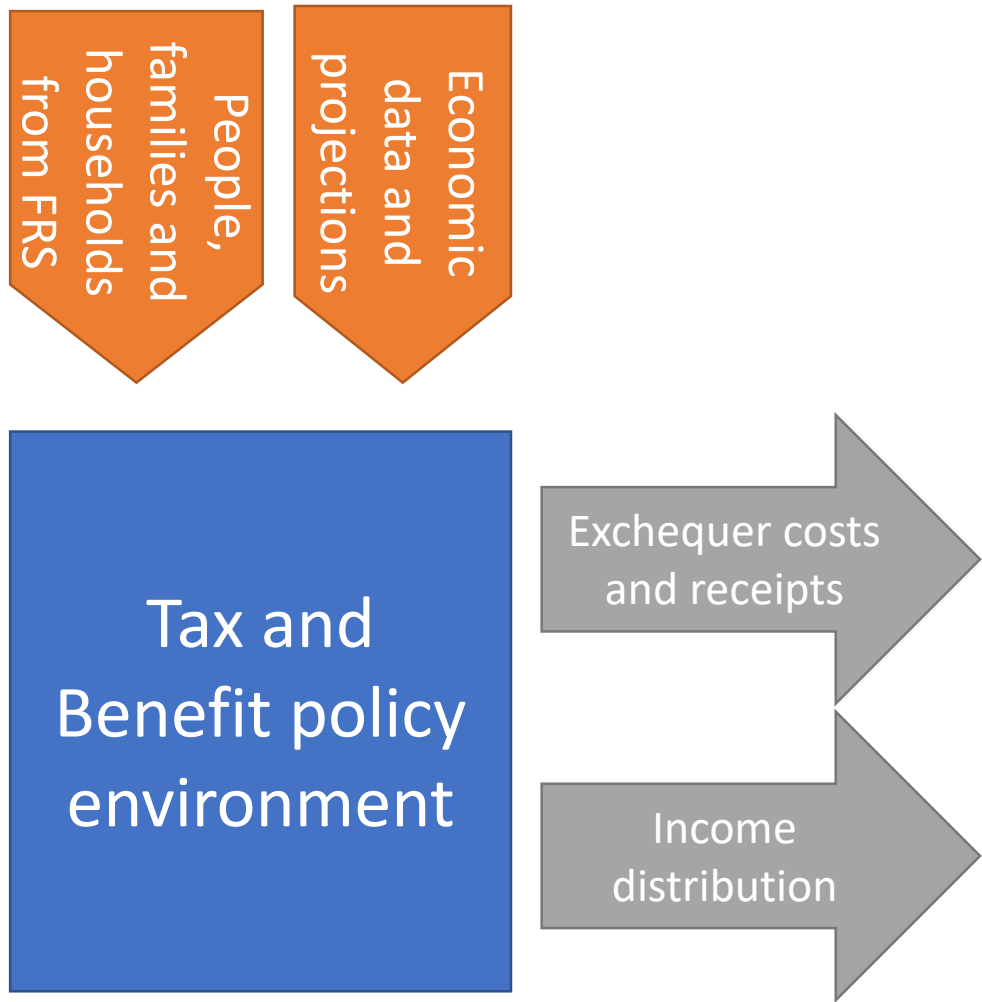


Tax and
Benefit policy
environment

Tax-Benefit Modelling



Tax-Benefit Modelling



Modelling tax receipts

Income Tax (annual national receipts)

	HMRC (actual)	FRS	Adjusted FRS
2016-17	£177 bn		
2017-18	£180 bn		
2018-19	£191 bn		
2019-20	£193 bn		

Analysis using the Family Resources survey and IPPR
Tax-Benefit Model

Modelling tax receipts

Income Tax (annual national receipts)

	HMRC (actual)	FRS	Adjusted FRS
2016-17	£177 bn	£147 bn (-17%)	
2017-18	£180 bn	£147 bn (-18%)	
2018-19	£191 bn	£150 bn (-21%)	
2019-20	£193 bn	£156 bn (-19%)	

Analysis using the Family Resources survey and IPPR Tax-Benefit Model

Modelling tax receipts

Income Tax (annual national receipts)

	HMRC (actual)	FRS	Adjusted FRS
2016-17	£177 bn	£147 bn (-17%)	£180 bn (+2%)
2017-18	£180 bn	£147 bn (-18%)	£181 bn (+1%)
2018-19	£191 bn	£150 bn (-21%)	£185 bn (-3%)
2019-20	£193 bn	£156 bn (-19%)	£195 bn (+1%)

Analysis using the Family Resources survey and IPPR Tax-Benefit Model

Modelling tax policy

Impact of the change in dividend allowance to the annual cost of the tax relief to HMRC (first order effects projected using FRS 2017-18)

	HMRC (actual)	FRS	Adjusted FRS
2017-18	£1500m	£780m (-48%)	£1100m (-27%)
2018-19	£750m	£510m (-32%)	£620m (-17%)
Change	£750m (50%)	£270m (35%)	£480m (44%)

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