

Upper Tail of the Income Distribution in Tax Records and Survey Data: Evidence from Poland

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Growing interest in the situation of the rich and in changes in the upper tail of the income distribution entails quest for specialized sources of data. Majority of available data sets (e.g. within Luxembourg Wealth Study) come from surveys. Though such surveys are focused on the rich, they are burdened with the same problem as other surveys reluctance of the rich to inform about their income and assets. This is an incentive to quest for alternative data sources. One of such sources are tax records. Irrespective of their credibility (limited by tax avoidance and tax evasion), the crucial feature of data collected by tax offices is its completeness for the population of taxpayers: refusal to file a tax return or giving there false information is punishable by law. In this context the primary aim of the paper is the assessment of the reliability of the Household Budget Survey data, which is commonly used in research on affluence and income distribution in Poland. As a reference, complete dataset of tax records for a Dolnoskie province (over 2 millions of taxpayers) was used. Besides the usual measures used in wealth analyses, relative affluence measures, based on the concept of Zenga inequality index, were applied. Analysis showed significant discrepancies in results obtained for both datasets for upper tails of income distributions. Observed differences were important for the assessment of the situation of the rich.