

Top Incomes and Inequality in the UK: Estimates from the Household Survey and Tax Return Data

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Paper Abstract:

We provide the first systematic comparison of estimates of UK inequality derived from tax data (World Top Incomes Database) and household survey data (Households Below Average Income). We document by how much existing survey data underestimate top income shares relative to tax data and then, exploiting the flexibility provided by access to unit-record survey data, we derive new top-income-adjusted data that enable us to: better track tax-data estimated top income shares; change the definitions of income and income ‘sharing unit’ used and thereby undertake more comparable cross-national comparisons (we provide a UK-US illustration); and examine inequality levels and trends using alternative summary indices.