

**Personal Wealth Statistics Consultation
Results and HMRC Response
April 2011**

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Summary

HM Revenue & Customs (HMRC) consulted on their statistics on Personal Wealth, collecting information on who the users are and how they are using the statistics, finding out their views on a proposed change to the methodology and on suggested changes to the publication.

The response to the consultation was very useful in informing HMRC's next steps on developing their wealth statistics, with a high number of users from a variety of backgrounds feeding in their views.

As a result of the consultation HMRC will move to the proposed new methodology, which will lead to improved data quality and remove the likelihood of some of the problems with the methodology experienced in recent years from reoccurring. The new methodology should remove some of the delays experienced due to data problems and the need to review the methodology, so the lags to the data should not be as great as anticipated by some users.

We have delayed publishing the response to this consultation so that we can take on board any decisions about the future of the Wealth and Asset Survey (WAS) after this was raised as a concern by users. The WAS consortium will be planning over the next few months the future of the survey and possible changes in questions and sample sizes in light of the pressure on the public sector. We propose to help users by producing an article that compares the existing and historical HMRC data to WAS, enabling users to create a continuous time series and to make their own adjustments to future published series of HMRC data. This work will use longitudinal data from WAS, so the article will be published after sufficient longitudinal data becomes available.

HMRC will introduce the changes we proposed to redesign the publication. The response to the consultation showed that this should improve the publication for most users. Users with an interest in a specific issue raised in the consultation will find HMRC's response on each one set out at the end of the report.

HMRC expect to publish the new dataset and tables in June 2011.

Introduction

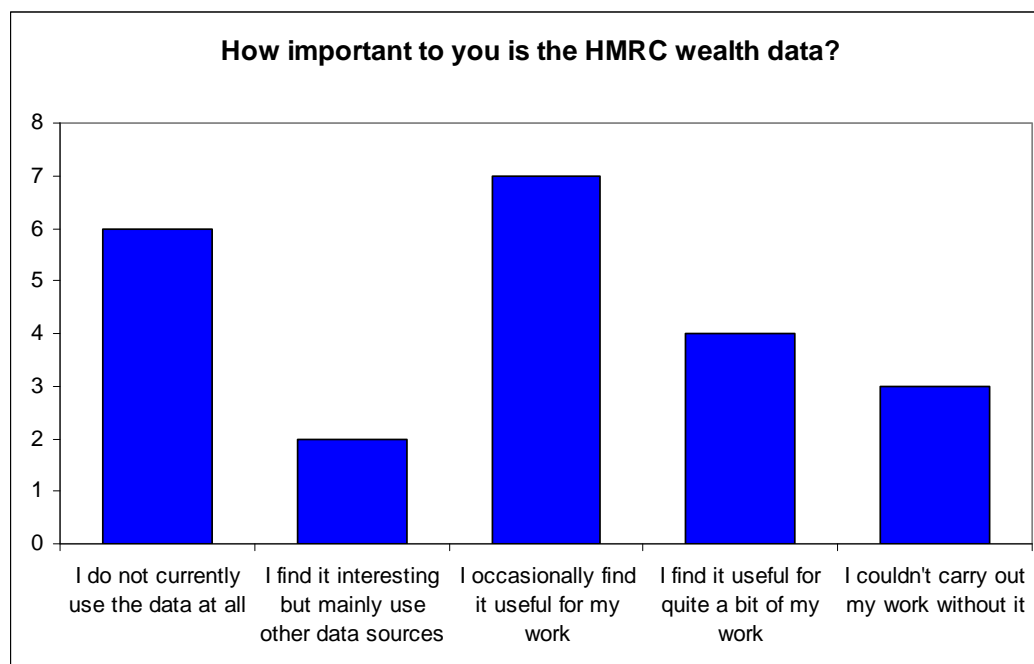
HMRC publish statistics on Personal Wealth based on the details of estates reported through the administration of probate on death. In recent years individual large cases have caused considerable volatility in the data leading to delays in publication and preventing us from publishing data for 2004 and 2006. It is likely that there would be similar problems in future without a change to the methodology used to produce the statistics.

In response to these problems we proposed an alternative methodology for producing these statistics. At the same time other aspects of the statistics were reviewed, including considering where the Wealth and Asset Survey which has been available since December 2009 would be a better source of data for users.

The purpose of this consultation has been to collect users' views on the proposed new methodology, to obtain their views on other aspects of the publication (including proposed changes in content) and to find out more information on who our users are so that we can better meet their needs in future. The consultation was open on the HMRC website from October 2010 to January 2011.

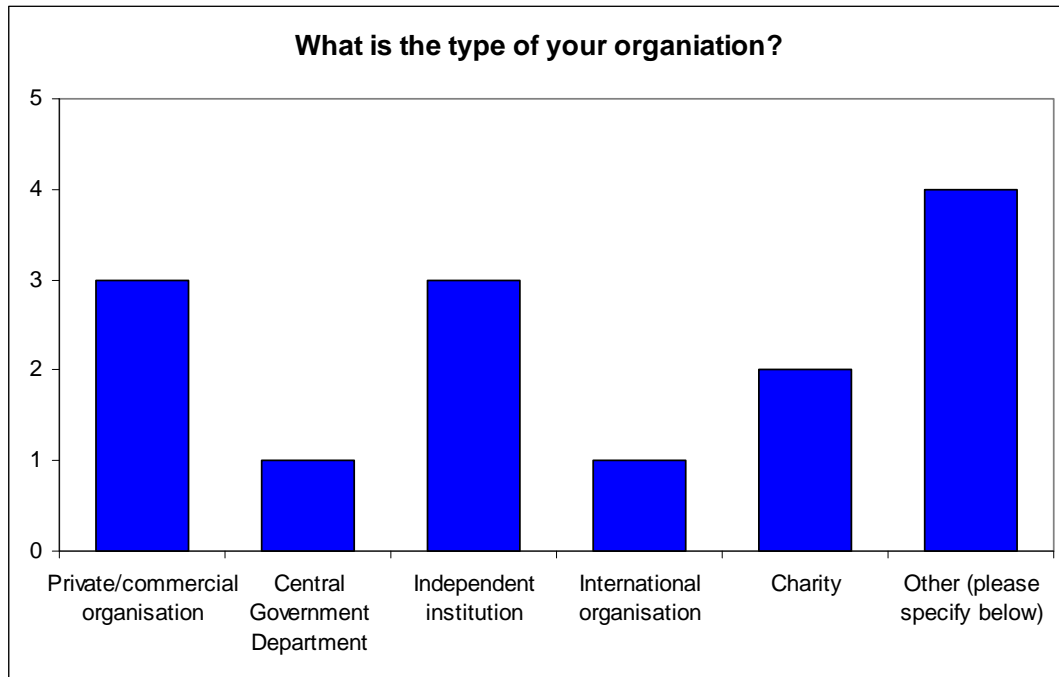
Response to the consultation

The consultation was published on the HMRC website and known users (identified by queries recently received by HMRC) were alerted to the consultation. In addition we attempted to identify and alert others who might have an interest in wealth, for example researchers working in this area. In total 22 responses were received, and a further person responded by e-mail rather than to the internet survey. This was a considerable improvement on previous consultations. In addition the response to the question 'How important to you is the HMRC wealth data', the responses to which are shown in the graph below, demonstrates that we managed to reach some people who are not currently using the data (or are mainly using other data sources) and gather their views as to how the publication could be made more useful to them.

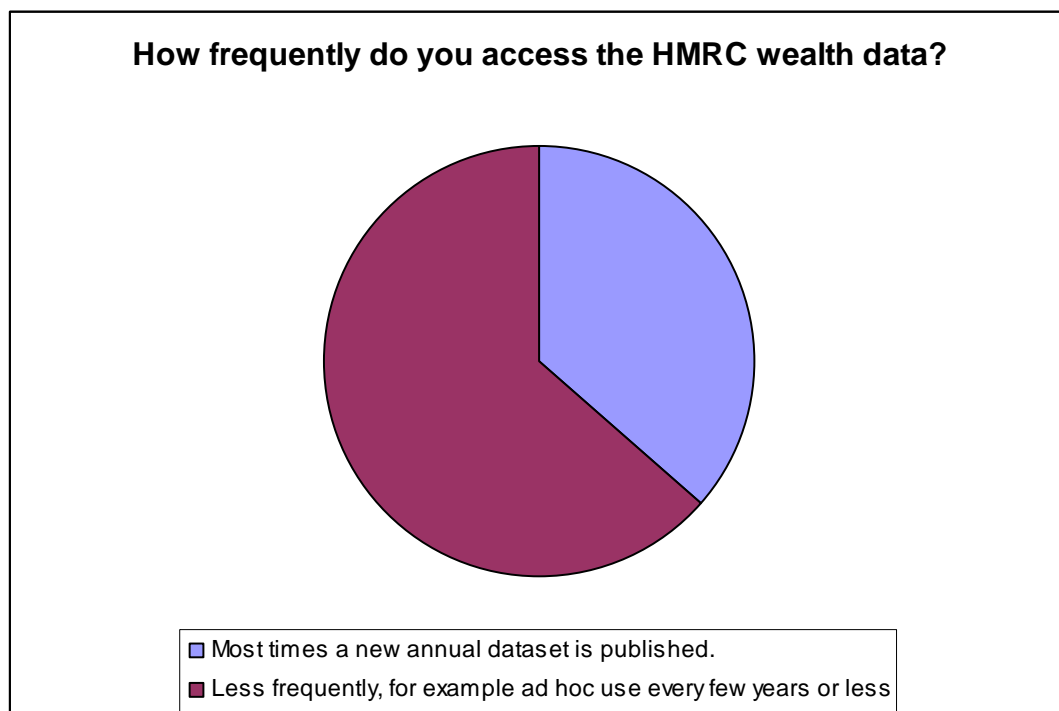


Background on users

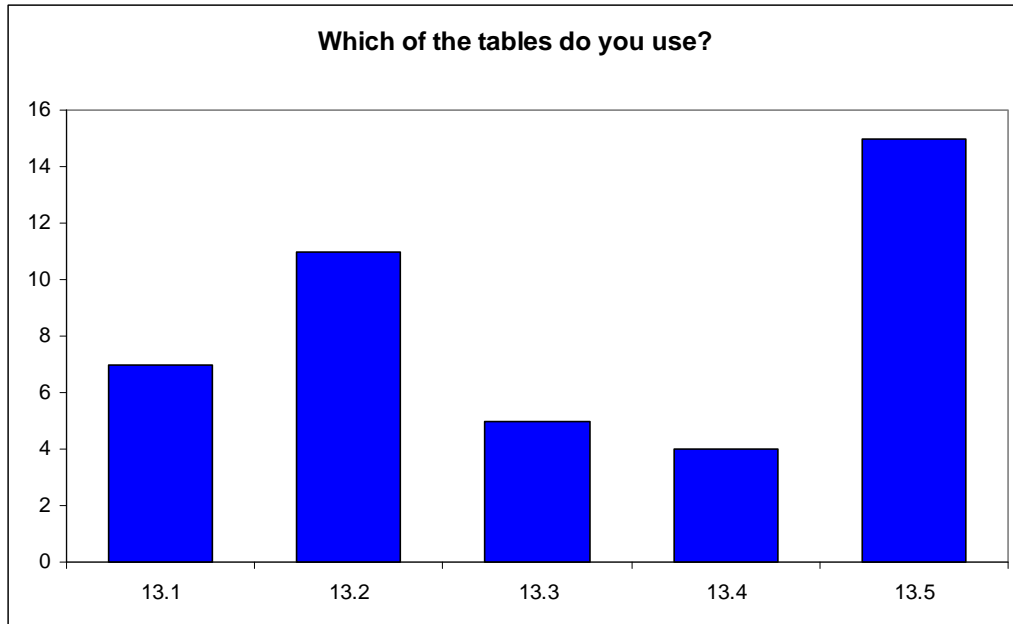
To find out more about our users we asked them what type of organisation they are working for. The response to this was quite mixed from the 14 respondents who completed this question. The two largest categories, apart from 'Other' were private/commercial organisations and independent institutions, which together accounted for over two-thirds of respondents. Most of the respondents to the other category were using the data for research or academic work.



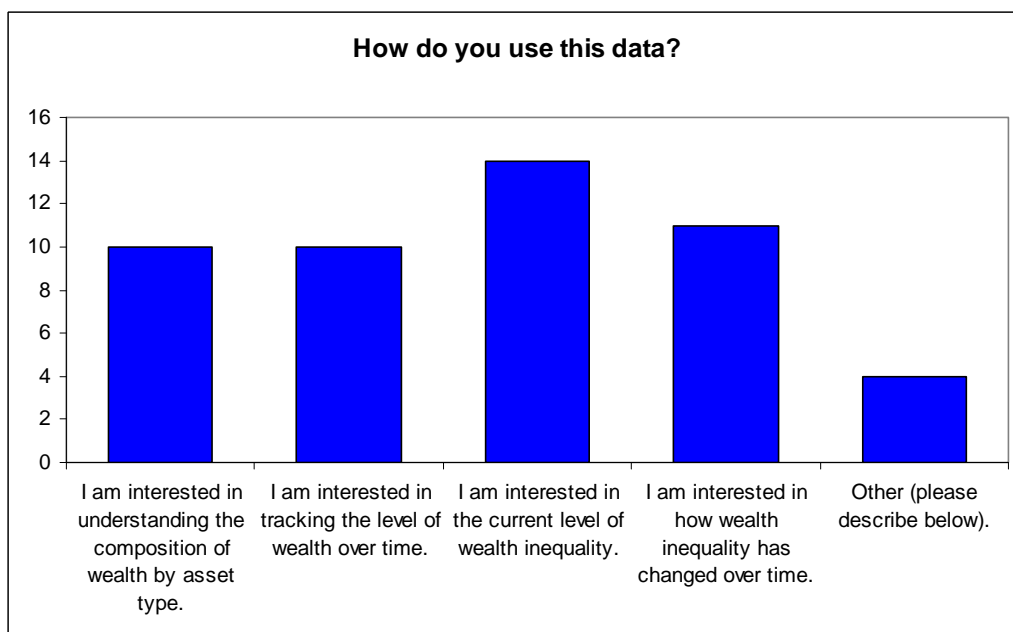
Most of the users were just using the data occasionally, although just over a third were using the data every time a new data set is published.



Out of the 16 users who responded on which tables they use, all but one use table 13.5 which contains information on the distribution of marketable wealth. Table 13.2, identified wealth by age and sex, was also used by over half of the respondents, with lower numbers of users for [Table 13.1](#) (identified wealth) and Tables 13.3 and 13.4 (reconciliations of estate multiplier and balance sheet estimates).



Of the 18 users who answered as to how they use this data, 14 were interested in the current level of wealth inequality, and over half were also interested in wealth inequality over time, the level of wealth over time and the composition of wealth. Of the 4 users who responded other, two were interested in wealth or wealth inequality by age and gender, one stated that they were interested in measurements used to establish wealth levels and/or inequality levels, and the other was interested in understanding the impact of proposed changes in tax (particularly Inheritance Tax).

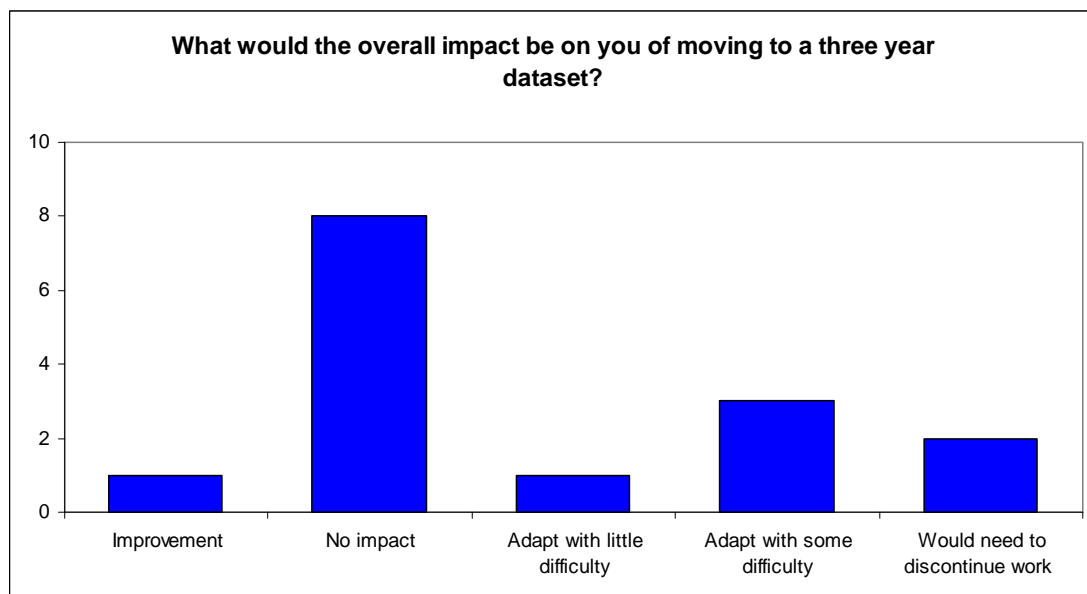


We asked the respondents to the consultation if they would be happy to be contacted in future about the Personal Wealth Statistics. 11 of the respondents said that they would be happy to be contacted in future. These contacts will help us engage better with users in future and make sure we are meeting their needs.

User views on proposed methodology changes

One of the main proposals on which we were consulting was to combine the data and publish a three-year combined dataset. We had proposed this change as we were frequently experiencing problems with the data caused by the small number of very large estates passing through probate each year. These were causing considerable volatility in the data, raising concerns about whether year on year changes were real or just due to sampling variability. In some years these estates were causing such problems that the data could not be published at all – and it looked likely that this problem would continue to impact on future years meaning that publication would continue to be unreliable. To reduce the volatility we need a larger sample of these estates, but this cannot be achieved by continuing with a single year dataset as all estates passing through probate with a net size of over £1 million are already sampled at 100 per cent. We therefore proposed combining three years data to increase the sample size. As well as reducing the volatility due to the large estates, this would also have the benefit of making some of the breakdowns more reliable.

We proposed publishing the data every three years when a complete new dataset is available. An annual publication based on a rolling three years would show very little change each year as two out of the three years would be the same and it would be undesirable to compare year on year changes in data created on this basis since it will reflect only the annual volatility in the data.

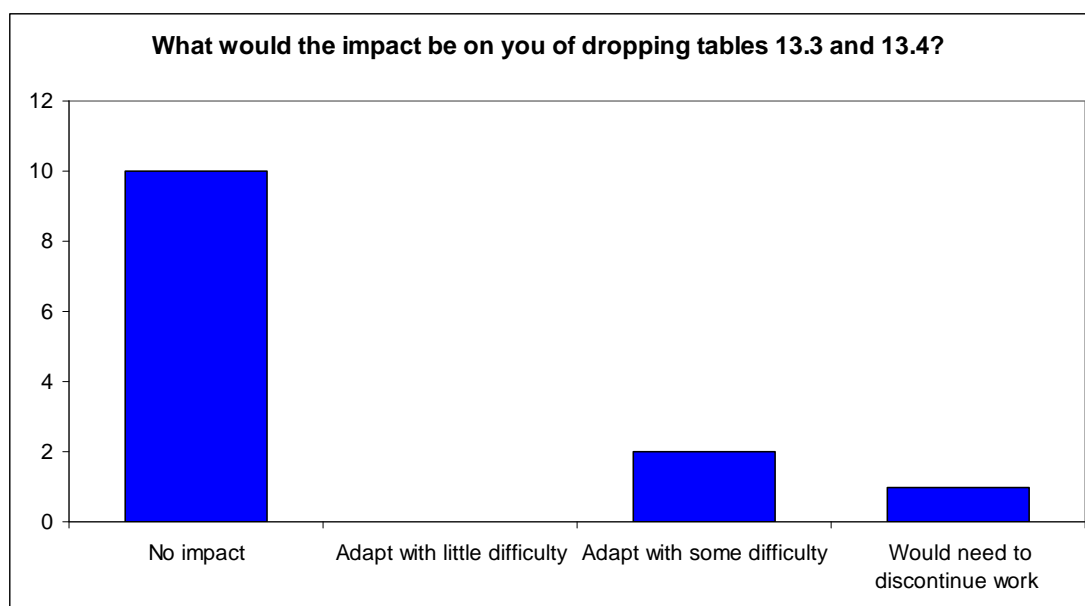


As the graph above shows of the 15 users who responded over half of users are not affected by this proposal. However six said that they would have difficulty adapting to the three year dataset, while one user said that the new dataset would be an improvement. Of the users who commented as to why this would create a problem, the main concern was timeliness. One user said ' The major concern here is timeliness. The statistics are currently published some five years after the year to which they refer - putting together three years of data will mean that they might be

published seven or eight years later. This lack of timeliness makes it harder to use these statistics in the development, assessment and scrutiny of public policy - any actions that could be taken to improve this would be welcome. Another comment was 'Data would not be as timely. It would be much better - and presumably not much more work - to update every year.'

As part of the examination of the methodology, we had concluded that the data on the small and joint estates that went through probate were particularly unreliable, and that some of the data series we produced were sensitive to the assumptions made about these estates. These estimates are not used in tables 13.1 and 13.2, so users of these tables would not be affected, but they are used in the other tables. Consequently users who were only using tables 13.1 and 13.2 were not asked the following questions about the methodology changes.

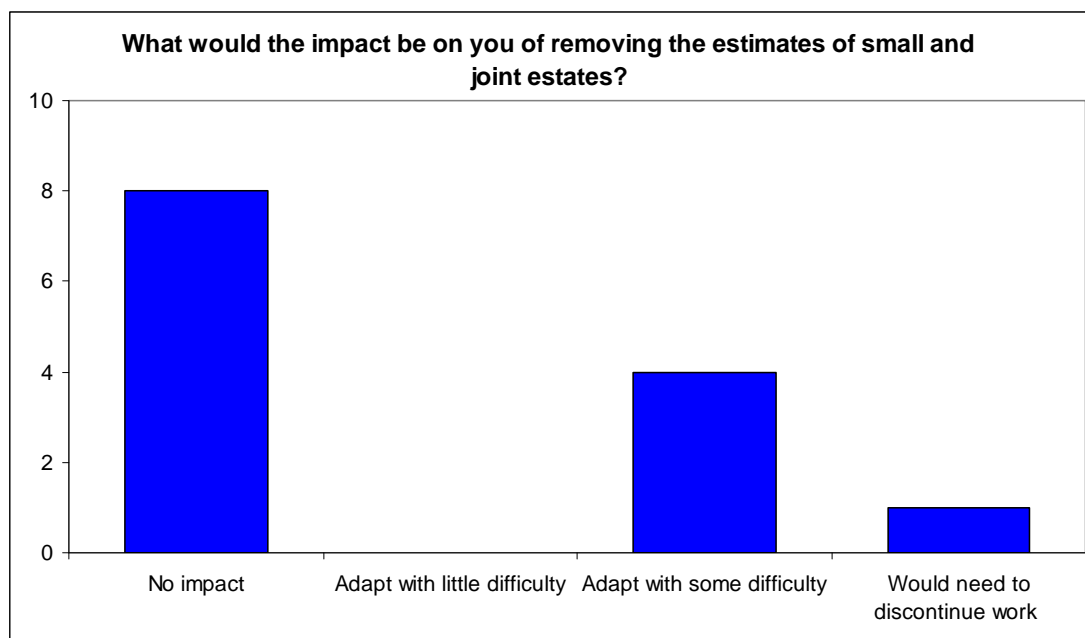
One of the impacts of this proposal was that we would no longer be able to produce the marketable wealth series used in tables 13.3 and 13.4. As this is a major part of these tables we proposed dropping them. Alternative sources of data on total wealth for users for these tables are available from the Office for National Statistics (ONS) National Accounts series 'net worth of households & non-profit institutions serving households' published in the blue book [bluebook2010 \(opens new window\)](#) and the ONS Wealth and Assets Survey (WAS) [Wealth in GB 2006 2008 \(opens new window\)](#).



While most users who were asked this question appear to not be impacted by this change, most of these were users who were not using these two tables. As seen above tables 13.3 and 13.4 are used by less users than the other tables. Out of the users of these tables, one user said that there would be no impact, with the other three adapting with some difficulty or needing to discontinue work. Of these four users, two provided further information to explain what the impact on them would be, with one user concerned about losing the data on the total pot of wealth and the other concerned that dropping this data would mean that there is not overlapping data with WAS and so there would be a structural break in the time series.

Users of table 13.5 would also be impacted by this proposal. This table contains data on the top and bottom ends of the wealth distribution and a Gini coefficient

measuring wealth inequality. The concerns about the data on the small estates mean that the data on the bottom end of the wealth distribution is likely to be of poor quality, and we also found the Gini coefficient to be sensitive to the assumptions made about the joint estates. Consequently we proposed dropping this information from the table and instead focussing it on the top end of the wealth distribution where our data should be more reliable.

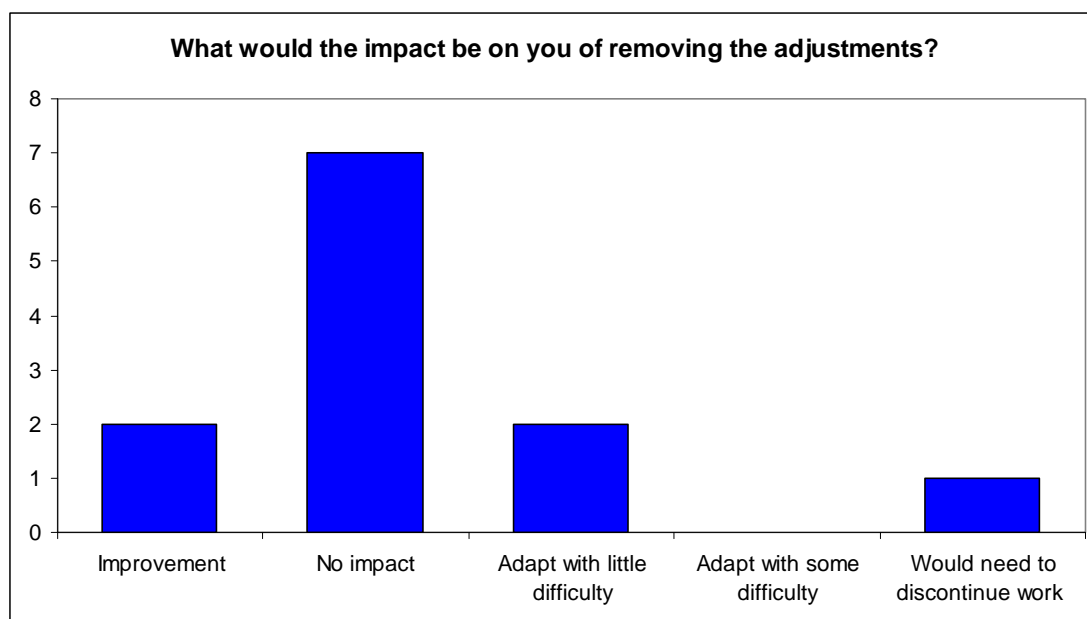


Most users said that this change would have no impact on them, with all but one of those having responded to say that they used table 13.5. However there were five users who said that they would adapt with some difficulty or would need to discontinue work.

Of the users who added further comments, the comments on knowing about the total pot and also providing overlap with WAS were repeated. In addition there were also concerns about being able to measure inequality over time, as at present there has only been one dataset released from WAS and as the HMRC data provides useful information on trends. One of the users was also concerned about the future of WAS, since the ONS also launched a consultation on the future of WAS. This user suggested that 'If data on small/joint estates are no longer to be published it would be helpful if a coherent explanation could be provided setting out a rounded picture of the wealth of estates in the UK, including best estimates from other sources where the HMRC data is considered unreliable.'

The consultation also asked about the proposal to stop adjusting for unrecorded or under-recorded information and valuation differences from the data used in Tables 13.3, 13.4 and 13.5. There were concerns as many of these adjustments are judgement based and so there is the risk of error in these. The judgements had also been made quite some time ago, so there would be the risk that they were now out of date but also updating them could lead to changes affecting the time series that may just reflect a different view if someone new is updating the judgement. There was also concern about how some of these judgements were allocated to estates, as there was still less information to base this from and some of the decisions around this could be affecting the distribution of wealth. Instead we proposed accompanying

the tables with documentation about the potential biases which we felt would be more transparent for users.



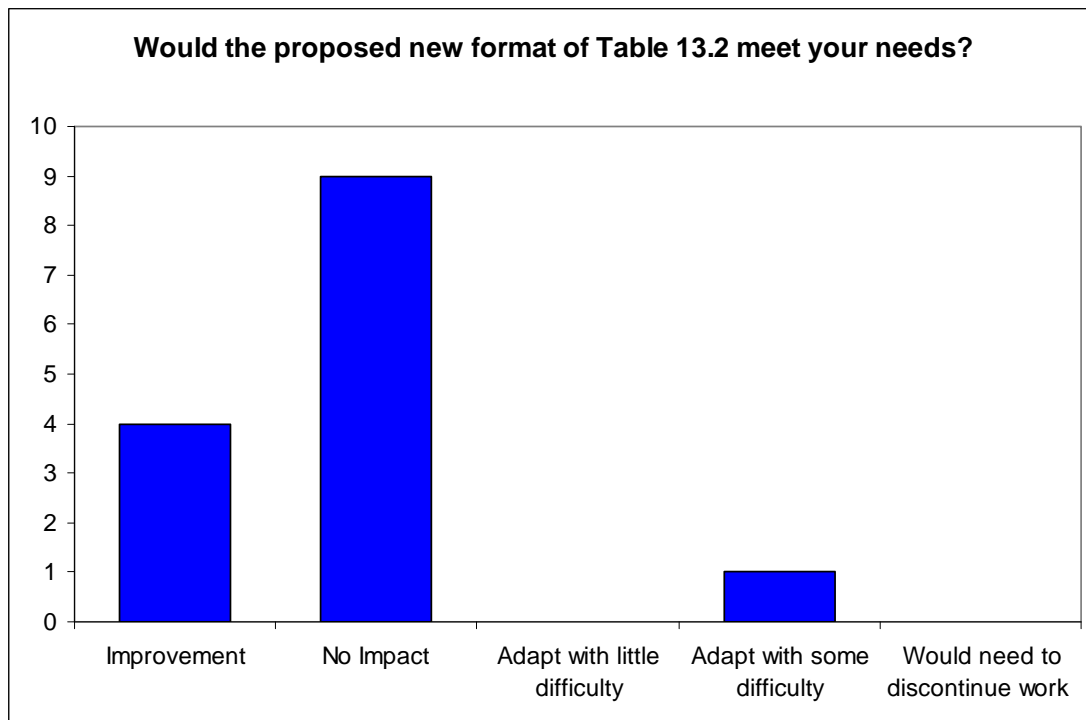
The majority of users responded that this change would have no impact on them. Of the remainder the views were mixed as two users said that it would be an improvement, two that they would adapt with little difficulty and one user responded that they would need to discontinue work. Of the users where this caused difficulty, the concerns were around knowing the total pot of wealth, having a consistent time series, with one user commenting that ' Complete figures with documented judgements made by suitably qualified and independent professionals is far superior to partial analysis' .

One user made an overall comment on the proposed changes to the methodology that ' So long as it's clearly set out in the documentation the point at which the change happened and the effect, there should be no problem. In fact, it would be informative and useful for considering when reading the data.'

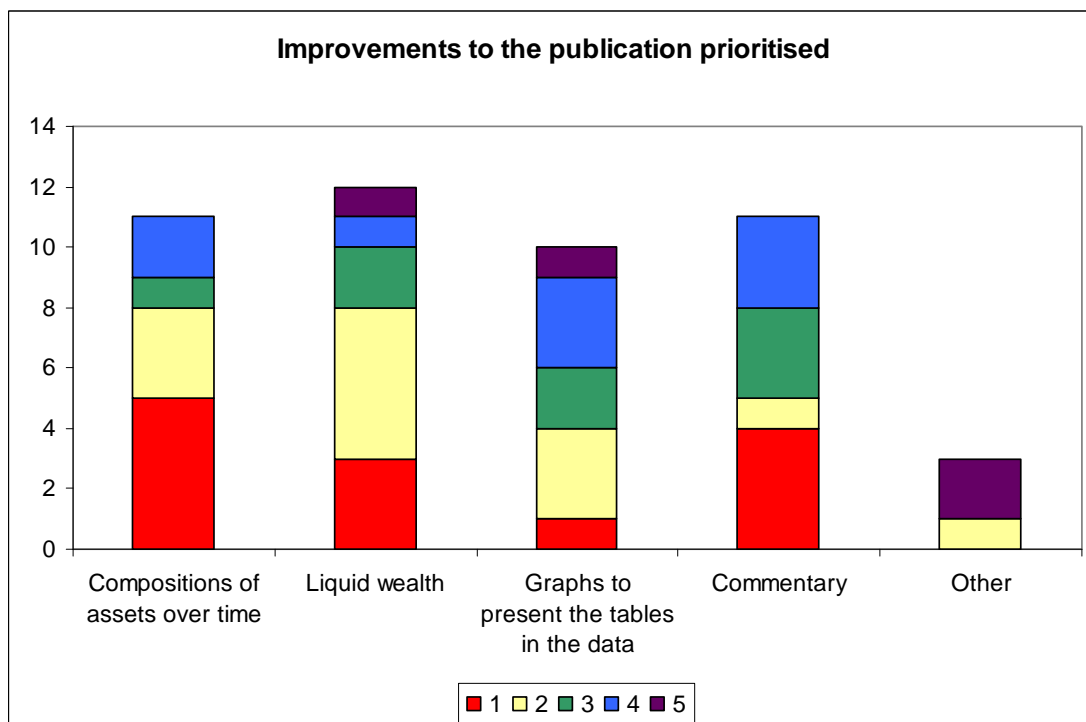
User views on the publication

As part of the consultation, we had proposed making changes to [Table 13.2](#) contains a detailed breakdown of the assets making up estates by net estate size, age band and gender. We had proposed to split this into [two new tables](#), one showing assets by age band and gender and one showing the distribution of estate sizes by age band and gender. The purpose of the change was to make the tables clearer and easier to use. We were also concerned that with the three-way split of information some of the cells might be based on very small sample sizes and so might possibly not be very reliable.

Most of the users who replied about these proposals said that the change would have no impact on them as shown in the graph below. However of those who did express a preference, four users thought the new tables would be an improvement while one user said that they would adapt with some difficulty. The user who said that they would adapt with some difficulty were concerned about losing the breakdown of portfolio shares by estate size, age band and sex.



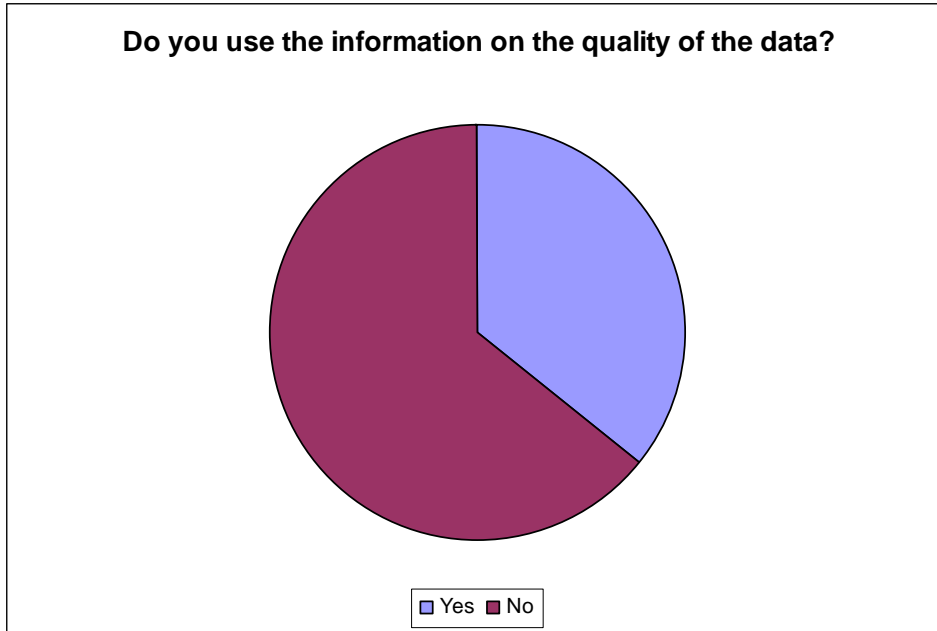
We also suggested several additions we could make to the publication, and asked the users to prioritise these. While all the improvements had quite a few users listing them among their priorities, composition of assets over time and commentary were listed by a relatively high number of users as their highest priority change to the publication. Liquid wealth tables were also listed as either first or second priority for a high number of users, while including graphs tended to be ranked lower.



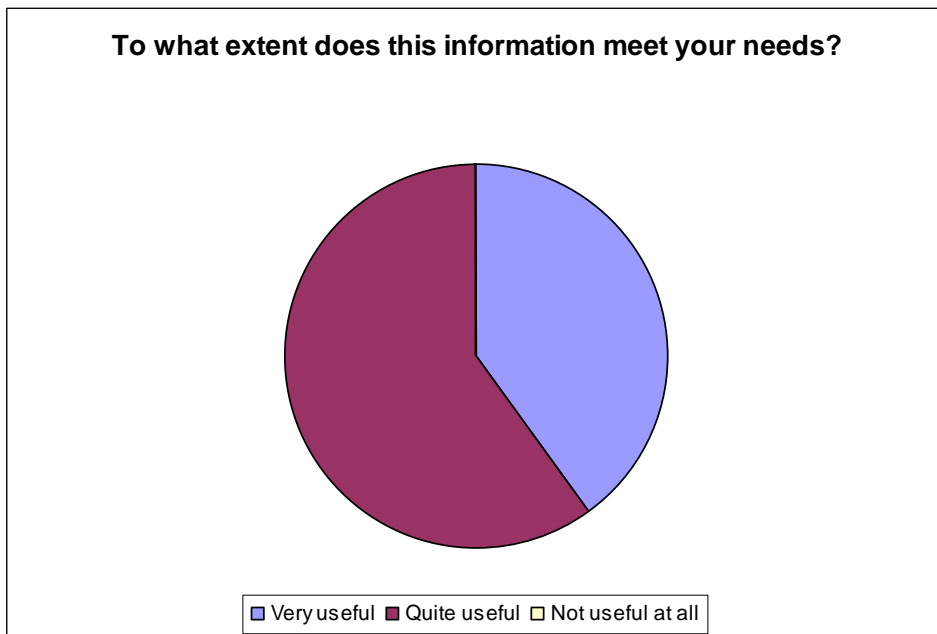
Of the users who responded 'other' not all added a comment to explain. One of the users requested enhanced commentary (with trends, explanations of the limitations of the data and links to other sources), while the other asked for tax avoidance and

/or benefit fraud by wealth decile. In addition, we received information via email from a user interested in a geographic breakdown of the data.

We asked users if they used the information on the quality of the data from the [introduction](#), the [quality review](#) and the [information for users](#) sections of the website. Of the users who responded, just over a third used this information.



Of the users who used this information, all thought that the information was very or quite useful, with none of them rating it 'not useful at all'. Two users offered comments on how the information could be improved, with one asking for it to be better integrated, as part of a narrative about the statistics and in the spreadsheets. The other user commented that more detail is always good, and that it needed to be kept up to date.



HMRC response

Issue - Timeliness

One of the concerns raised by users was the impact of the three year dataset on the timeliness of publication.

HMRC decision

HMRC have decided that the move to the three year publication is still necessary. The new publication timetable will become:

2001 to 2003 dataset – June 2011¹
2005 to 2007 dataset – June 2011¹
2008 to 2010 dataset – September 2012
2011 to 2013 dataset – September 2015
Further datasets to follow every three years

1. Subject to change due to the development work needed on the new methodology and publication.

Impact of decision on users

The new publication timetable will be timelier than suggested by the user who was concerned that this would lead to data being published with a lag of seven to eight years. From September 2012, the oldest data being published in the combined dataset will have a lag of four years, and the dataset will also contain data only two years old. The concerns about a seven to eight year delay appear to be partly due to the delays caused by the problems with the data and the need to review the methodology in recent years. The combined data set should considerably reduce the likelihood of similar problems preventing further lags of this type.

The timeliness of our data compares favourably with the data published in the United States by their Inland Revenue Service, where their Personal Wealth Statistics based on their Federal Estate Tax returns are published every three years. The most recent data available is 2004 data which was published in 2008.

Unfortunately there is no realistic alternative available that would enable the data to be published in a timelier manner and would address the problems with the methodology that have led to the delays in recent years. Part of this delay is due to the lag between death and an individual needing to return a probate form with over 40 per cent of forms only being received in the following year.

Users needing more recent data can find this in the WAS report [Wealth in GB 2006 2008 \(opens new window\)](#) which covers 2006 to 2008. They are currently scheduled to produce an updated publication covering 2008 to 2010 in November 2011. Further information on the future of WAS is given below. Other sources of data are also available to measure changes in asset prices (such as house prices).

Issue – Maintaining a time series of data and uncertain future for WAS

Users were concerned that they would not be able to maintain a time series of data until there is overlap with WAS. One user raised the concern that the ONS were consulting about the future of WAS as part of the consultation on their work programme and so it was uncertain if this would continue as an alternative source of data.

HMRC decision

The WAS consortium will be planning over the next few months the future of the survey and possible changes in questions and sample sizes in light of the pressure on the public sector.

HMRC propose to produce a one-off article that compares the existing and historical HMRC data to WAS, enabling users to create continuous time series and to make their own adjustments to published series of HMRC data. This work will use the longitudinal data from WAS, and so it will take place once sufficient longitudinal data is available for matching purposes.

Impact of decision on users

The article we plan to publish should meet users' needs for a continuous time series and will help users interested in total wealth.

Issue – New format for Table 13.2

Users mainly preferred the suggested new format of Table 13.2 but this did not meet one user's need for a breakdown of shares.

HMRC response

HMRC will move to the new format of this table. The breakdown of the shares can be requested from HMRC but will not be published.

Impact of decision on users

Publishing the new format of the table but still making available the more detailed information on request should meet the needs of all users. While the user interested in the more detailed breakdown would need to request it, the small sample sizes may mean that the data is unreliable and so it would be better not to publish it.

Issue – Proposed changes to the publication

Users strongly supported the changes we were proposing to the publication, and also requested enhanced commentary, tax avoidance and /or benefit fraud by wealth decile and geographic data. Other comments showed that users were also interested in inequality by age and gender.

HMRC response

HMRC will introduce the proposed changes to the publication, and also introduce enhanced commentary and consider what additional information we might be able to provide to look at inequality by age and gender. We will not publish geographic data in the next publication, but will keep this under review for future publications. We will not publish data on tax avoidance and/or benefit fraud by wealth decile.

Impact of decision on users

The proposed changes will improve the publication for the majority of users who responded. We are not currently able to meet the needs of the user interested in geographic data at present as the postcode completion rates on the estate forms are too low. As the completion rates have increased considerably since this question was made mandatory in 2007 it may be possible to include geographic analysis of wealth in future publications after further investigation of the reliability of the data. We are not able to meet the needs of the user interested in tax avoidance or benefit fraud by wealth decile as our existing measures of non-compliance in these areas cannot be broken down in this way.