

Improving  
FRS income  
data for  
improved  
tax policy  
analysis

Becky Milne

Manchester Metropolitan  
University

[b.milne@mmu.ac.uk](mailto:b.milne@mmu.ac.uk)

# 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

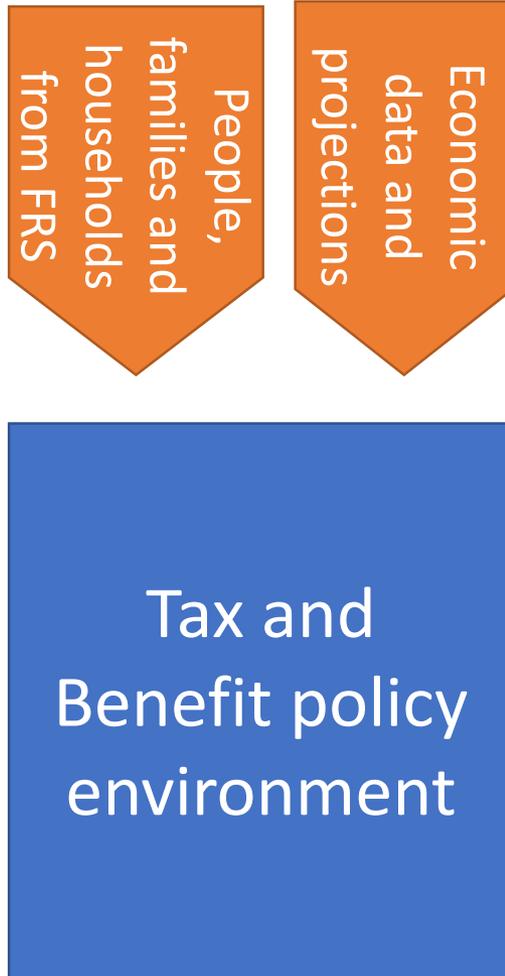
# Tax-Benefit Modelling



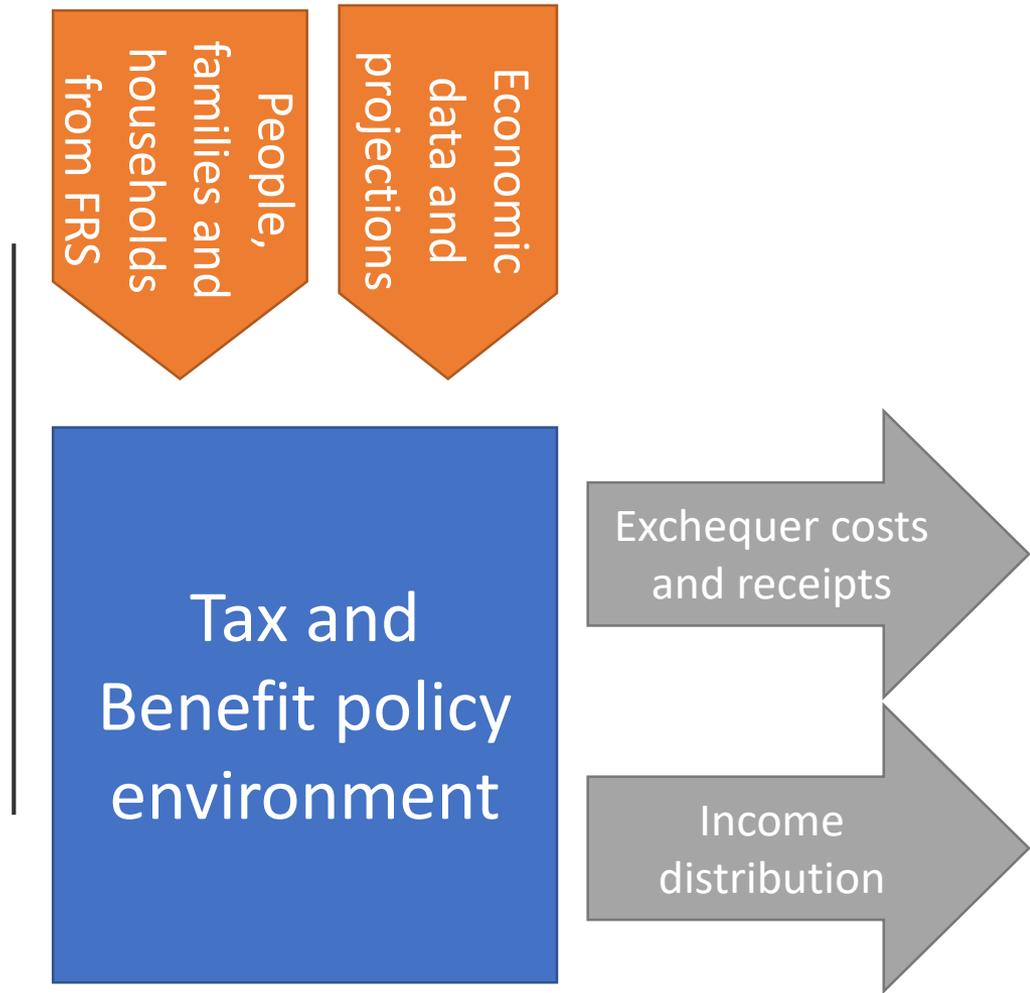
Tax and  
Benefit policy  
environment

# Tax-Benefit Modelling

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# 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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