The Suitability of Tax Data to Study Trends in Inequality

A theoretical and empirical review with tax data from Switzerland[[1]](#footnote-1)

Oliver Hümbelina

oliver.huembelin@bfh.ch

Dr. Rudolf Farysb

Rudolf.farys@soz.unibe.ch

a Bern University of Applied Sciences

b University of Bern

November 2015

*Abstract*

In many countries results of inequality trends are ambiguous, because different methodological approaches blur the picture or because reliable data are not available. In this paper we assess whether tax data are suitable for inequality trend analysis. We do this by comparing tax data measurement concepts concerning income definition, statistical units and population coverage to theoretical ideal concepts. To get a sense of direction and magnitude of potential biases, we estimate the impact of tax data-related methodological options for inequality measures with Swiss tax data. Where possible and meaningful, we compare tax data results to corresponding results from surveys. While there are clear advantages of tax data like long-term availability and reliable population coverage in more recent years, there are also drawbacks that lead to an overestimation of inequality and hinder comparability over time. In sum, tax data are a source that should be used with care, but nonetheless seem to be indispensable for inequality analysis. As a substantive result for Switzerland, our tax data analysis raises doubts about the declining inequality trend reported by survey data for the last decades.

**Key words**: Tax Data, Inequality Trend, Income Distribution, Switzerland

1. [↑](#footnote-ref-1)