FEATURE

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The effects of taxes and benefits on household income, 2006/07

SUMMARY

This article examines how taxes and benefits redistribute income between households in the United Kingdom. It shows average payments of taxes and receipts of benefits, for households in different parts of the income distribution. It also shows where different types of households and individuals are in the income distribution and looks at the changing levels of income inequality over time. The analysis is published annually and results are presented here for 2006/07.

Government intervention, through taxes and benefits, alters the incomes of households. In general, households in the upper part of the income distribution pay more in taxes than they receive in benefits, while the reverse is true for those in the lower part of the distribution. Taxes and benefits therefore reduce income inequality. In 2006/07, before taxes and benefits, the top fifth of households had an average of £72,900 per year in original income from sources such as earnings, occupational pensions and investments. This is around 15 times as great as the figure of £4,900 for the bottom fifth. After taking account of taxes and benefits, the top fifth had an average final income of £52,400 compared with £14,400 for the bottom fifth of households, a ratio of four to one. The difference between original income and final income for 2006/07, broken down by quintiles, is also shown graphically in **Figure 1**.

Cash benefits play the largest part in reducing inequality. The majority of these go to households in the lower part of the distribution. **Figure 2** shows gross income broken down into original income and cash benefits, by income quintile group.

Direct taxes, except for council tax and Northern Ireland rates, are progressive – they take a larger proportion of income from those higher up the income distribution. Therefore they also contribute to a reduction in inequality, although not to the same extent as cash benefits. Indirect taxes have the opposite effect to direct taxes, taking a higher proportion of income

from those with lower incomes – that is, they are regressive. While households higher up the income distribution pay more indirect tax in absolute terms, they pay a lower proportion of their income in indirect tax.

Households also receive benefits in kind from services provided free or at subsidised prices by government, such as health and education services. The amount received falls gradually as income increases, indicating that these benefits also lead to a reduction in inequality.

Characteristics across the income distribution

Some household types are more likely to be in higher income groups, while others tend to appear in the lower groups. Single person households are slightly more likely to be in the higher income groups, while households consisting of two adults with no children, are very clearly concentrated in the higher groups.

Households containing two adults with children tend to be lower down the equivalised income distribution than those with no children. Households which consist of only one adult with children are much more concentrated in the lower income groups. Retired households are also concentrated in the bottom half of the income distribution. Adults and children are not spread evenly throughout the income distribution. For example, there are more children in households in the lower part of the distribution compared with the upper part.

Figure 1
Original income and final income by quintile groups for all households,¹ 2006/07

Note:

1 Households are ranked throughout by their grossed equivalised disposable incomes.

Figure 2
Gross income by quintile groups for all households,¹ 2006/07

Note:

1 Households are ranked throughout by their grossed equivalised disposable incomes.

Trends in income inequality

The effect of taxes and benefits on income inequality can be seen by their effect on the Gini coefficient. This is a widely used summary measure of income inequality (see Appendix 2, paragraph 53). It can take values from 0 to 100 per cent, where a value of zero would indicate that each household had an equal share of income, while higher values indicate greater inequality.

Inequality of disposable income, as measured by the Gini coefficient, increased between 2004/05 and 2006/07, although it has continued to remain within the same broad range of values since 1987. Income inequality increased rapidly in the second half of the 1980s, reaching a peak in 1990. After 1990, the trend was downwards, although inequality did not return to the levels of the late 1970s and early 1980s. After 1995/96, inequality began to rise again, reaching a peak in 2001/02 – at a level very similar to that in 1990. Between 2001/02 and 2004/05, income inequality fell before rising again.

Concepts and sources

This analysis examines how taxes and benefits redistribute income. **Figure 3** shows the stages in the redistribution of income used in this analysis. Household members receive income from employment, occupational pensions, investments and from other non-government sources. This is referred to as original income. The figure shows the various ways that government raises revenue from households through taxation and distributes benefits to them in cash, and in kind.

The analysis only allocates those taxes and benefits that can reasonably be attributed to households. Therefore, some government revenue and expenditure is not allocated, such as revenue from corporation tax and expenditure on defence and public order. There are three main reasons for non-allocation. Some taxes and benefits fall on people who do not live in private households. In other cases, there is no clear conceptual basis for allocation to particular households. Finally, there may be a lack of data to enable allocation. In this study,

some £339 billion of taxes and compulsory social contributions have been allocated to households. This is equivalent to 60 per cent of general government expenditure, which totalled £566 billion in 2006. Similarly, £304 billion of cash benefits and benefits in kind have been allocated to households, making up 54 per cent of general government expenditure.

The estimated values of taxes and benefits reflect the methodology used in this study. They are based on assumptions about which taxes and benefits should be covered and to whom they should apply. Where it is practical, the methodology used is similar to that used in previous years. However, there have been some changes in the underlying surveys and improvements in the methodology. For this reason, one should be cautious about making direct comparisons with earlier years. Comparisons with previous years are also affected by sampling error. This is especially true for estimates which are based on subsamples such as the results for decile or quintile groups, or particular household types. Time series are presented for some of the more robust measures, and these include Gini coefficients and other measures of inequality.

Unit of analysis

The unit of analysis used in this study is the household. The households are ranked by their equivalised disposable income, which the analysis uses as a proxy for standard of living. Equivalisation is a standard methodology that takes into account the size and composition of households and adjusts their incomes to recognise differing demands on resources. For example, a couple would need a higher income than a single person to achieve the same standard of living. The equivalence scale used in this analysis is the McClements scale (before housing costs are deducted). So a single person's income of £6,100 is treated as equivalent to an income of £10,000 for a couple (see Appendix 2, paragraph 48). Households with the same equivalised income do not necessarily have the same standard of living where other characteristics are different. For example, households which own their homes outright would be in a better position than identical households with the same income which had to pay rent or mortgage payments. Equivalisation does not adjust for such differences.

Equivalised income is used only to rank the households. Most monetary values shown in the analysis are not equivalised.

Figure 3
Stages of redistribution

Where equivalised amounts are given, they are shown in *italics*. Once the households have been ranked, the distribution is split into five or ten equally sized groups – that is, quintile groups or decile groups. The bottom quintile (or decile) group is that with the lowest equivalised disposable incomes, while the top quintile (or decile) is that with the highest.

Data sources

The main data source for this analysis is the Expenditure and Food Survey (EFS) which covers about 6,000 households in the United Kingdom each year. It only covers private households – people living in hotels, lodging houses and in institutions, such as old people's homes, are excluded. The EFS is used because as well as collecting data on household income, it also collects expenditure data which are used here to estimate payment of indirect taxes.

There is known to be a degree of under-reporting in the EFS for some benefits. For example, when compared with administrative data from HM Revenue & Customs (HMRC), the EFS estimate of total tax credit payments is only around two-thirds of the HMRC figure. Further details

of the concepts and methodology used are given in Appendix 2.

The results of the analysis are reported in three sections. The first looks at the

effects for all households. Non-retired and retired households have distinct income and expenditure patterns and so the tax and benefit systems affect the two groups in very different ways. Therefore, the second and third sections look separately at results for non-retired and retired households.

Results for all households

Overall effect

Taken as a whole, the tax and benefit system leads to income being shared more equally between households. In this analysis, income before taxes and benefits is termed original income and includes income from earnings, occupational pensions and investments. Original income varies considerably between households. Those in the top quintile group have an average of £72,900 compared with £4,900 for the bottom group (**Table 1**).

The extent of inequality in this measure of income can be seen by looking at the proportion of total original income received by groups of households in different parts of the income distribution. At this stage, the richest fifth of households (those in the top quintile group) receive 51 per cent of all original income (**Table 2**). This compares with only 3 per cent for households in the bottom fifth.

Adding cash benefits to original income gives gross income. In contrast to original income, the amount received from cash benefits is higher for households lower down the income distribution than for

Table 1

Summary of the effects of taxes and benefits: by quintile groups on all households,¹ 2006/07

	Quintile groups of all households ¹						Ratio All top/bottom households quintile
	Bottom	2nd	3rd	4th	Top		
Income, taxes and benefits per household (£ per year) ²							
Original income	4,900	11,550	23,080	37,980	72,890	30,080	15
<i>plus</i> cash benefits	6,450	7,040	4,790	2,950	1,680	4,580	0.3
Gross income	11,350	18,590	27,870	40,930	74,570	34,660	7
<i>less</i> direct taxes ³ and employees' NICs	1,240	2,520	5,170	9,070	18,460	7,290	15
Disposable income	10,110	16,080	22,700	31,860	56,110	27,370	6
<i>less</i> indirect taxes	3,150	3,610	4,550	5,930	7,500	4,950	2
Post-tax income	6,960	12,460	18,150	25,930	48,600	22,420	7
<i>plus</i> benefits in kind	7,480	6,410	5,740	4,830	3,800	5,650	0.5
Final income	14,440	18,870	23,890	30,760	52,400	28,070	4

Notes:

- Households are ranked by equivalised disposable income.
- All the Tables in Part 1 of this article show unequivalised income. Equivalised income has only been used in the ranking process to produce the quintile groups (and to produce the percentage shares and Gini coefficients).
- These are income tax (which is after deducting tax credits and tax relief at source on life assurance premiums), council tax and Northern Ireland rates but after deducting discounts, council tax benefits and rates rebates.

Table 2
Percentage shares of household income and Gini coefficients,¹ 2006/07

	Percentage shares of equivalised income for all households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group ²				
Bottom	3	7	7	6
2nd	7	11	12	11
3rd	15	16	16	16
4th	24	23	22	22
Top	51	44	42	44
All households	100	100	100	100
Decile group ²				
Bottom	1	3	3	2
Top	33	29	27	29
Gini coefficient (per cent)	52	38	34	39

Notes:

- 1 This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 53).
 2 Households are ranked by equivalised disposable income.

Notes:

- 1 Investment income includes occupational pensions and annuities.
 2 Earned income includes wages and salaries, income from self-employment and income from fringe benefits.

those at the top. Of the total amount of cash benefits received, the bottom two quintile groups together receive 59 per cent. These households receive an average of £6,700 from cash benefits, representing around 57 per cent of gross income for the bottom quintile group and 38 per cent for the second quintile group. This has an equalising effect on the distribution (**Figure 4**).

Direct taxes

Direct taxes include income tax, National Insurance contributions (NICs) and council tax or Northern Ireland rates. Higher income groups pay both higher amounts of direct tax and higher proportions of their income in direct tax with the top quintile group paying an average of £18,500 per household in direct taxes. In contrast, the direct tax bill for households in the bottom quintile group is around £1,200. Consequently, direct taxes have an

equalising effect on the shares of income. Looking at income tax on its own, the top two quintile groups pay 81 per cent of total income tax, while the bottom two quintile groups together pay 7 per cent.

Table 3 shows the effect of direct and indirect tax on each quintile group. Households at the lower end of the income distribution pay smaller amounts of direct tax compared with higher income households. In addition, low income households also pay a smaller proportion of their income in income tax because tax is not paid on the first tranche of income and higher rates of tax are paid on higher incomes. As a proportion of their gross incomes, households in the bottom quintile group pay an average of 4 per cent in income tax compared with 19 per cent for those in the top quintile group. The proportion of gross income paid in NICs rises with income until the fourth quintile group.

Council tax (and domestic rates in Northern Ireland) on the other hand are regressive even after taking into account council tax benefits and rates rebates. Households in the lower part of the income distribution pay smaller absolute amounts – average net payments by the bottom fifth of households are half those of the top fifth. However, when expressed as a proportion of gross income, the burden decreases as income rises. Council tax in Great Britain and domestic rates in Northern Ireland represent 6 per cent of gross income for those in the bottom fifth but only 2 per cent for those in the top fifth.

Indirect taxes

The amount of indirect tax that each household pays is determined by their expenditure rather than their income. While the payment of indirect taxes can be expressed as a percentage of gross income in the same way as for direct taxes, it should be remembered that for some households, particularly towards the bottom of the income distribution, annual expenditure exceeds annual income. For these households, expenditure is not being funded entirely from income. To express the payment of indirect taxes as a percentage of gross or disposable income is potentially misleading because, for these households, income may not be a good indicator of purchasing power or standard of living.

There are a number of possible reasons why expenditure may exceed income. Some households with low incomes may draw on their savings or borrow in order to finance their expenditure. In addition, the bottom decile in particular includes some groups who have, or report, very little income (for example people not currently in employment and some self-employed people). For some people this spell of very low income may only be temporary and, during this period, they may continue with previous patterns of spending. Some types of one-off receipts are not included as current income in the EFS, for example, inheritance and severance payments. In some cases, the information given on direct tax is not consistent with that on income received, possibly because of timing differences. The income and expenditure data are measured in different ways in the EFS, and either could be affected by measurement errors of different kinds (see Appendix 2, paragraph 6).

To give a more complete picture of the impact of indirect taxes, they are shown in Table 3 separately as a proportion of gross income, disposable income and

Table 3

Taxes as a percentage of gross income, disposable income and expenditure for all households: by quintile groups,¹ 2006/07

	Quintile groups of all households ²					All households
	Bottom	2nd	3rd	4th	Top	
(a) Direct and indirect taxes as a percentage of gross income						
Direct taxes						
Income tax ³	3.5	6.4	10.5	13.9	18.5	13.9
Employees' NICs	1.6	3.1	4.6	5.6	4.5	4.4
Council tax and Northern Ireland rates ⁴	5.7	4.0	3.5	2.7	1.7	2.8
All direct taxes	10.9	13.5	18.5	22.2	24.8	21.0
Indirect taxes						
VAT	11.0	7.6	6.7	6.3	4.5	6.1
Duty on alcohol	1.3	0.9	0.9	0.8	0.5	0.8
Duty on tobacco	2.5	2.0	1.2	0.8	0.3	0.9
Duty on hydrocarbon oils and vehicle excise duty	3.0	2.3	2.1	1.9	1.2	1.7
Other indirect taxes	9.9	6.6	5.3	4.6	3.5	4.8
All indirect taxes	27.8	19.4	16.3	14.5	10.1	14.3
All taxes	38.6	33.0	34.9	36.7	34.8	35.3
(b) Indirect taxes as a percentage of disposable income						
VAT	12.4	8.8	8.3	8.1	6.0	7.7
Duty on alcohol	1.5	1.1	1.2	1.1	0.7	1.0
Duty on tobacco	2.8	2.3	1.5	1.0	0.4	1.1
Duty on hydrocarbon oils and vehicle excise duty	3.4	2.6	2.6	2.4	1.6	2.2
Other indirect taxes	11.2	7.7	6.6	6.0	4.7	6.1
All indirect taxes	31.1	22.5	20.1	18.6	13.4	18.1
(c) Indirect taxes as a percentage of expenditure²						
VAT	7.9	8.1	7.8	7.7	7.0	7.6
Duty on alcohol	1.0	1.0	1.1	1.0	0.8	1.0
Duty on tobacco	1.8	2.1	1.4	1.0	0.4	1.1
Duty on hydrocarbon oils and vehicle excise duty	2.2	2.4	2.4	2.3	1.8	2.2
Other indirect taxes	7.2	7.0	6.2	5.7	5.4	6.0
All indirect taxes	20.0	20.6	19.0	17.8	15.6	17.8

Notes:

- Households are ranked by equivalised disposable income.
- Calculated to be consistent with disposable income. See paragraph 35 of Appendix 2 for the definition of expenditure.
- After deducting tax credits and tax relief at source on life assurance premiums.
- After deducting discounts, council tax benefits and rates rebates.

expenditure. Direct taxes are also shown as a proportion of gross income so that the impact of direct and indirect taxes can be compared.

In cash terms, the top fifth of households pay two and a half times as much indirect tax as the bottom fifth. This simply reflects higher expenditure by higher

income households. The only indirect taxes which fall more evenly across the income distribution are duties on tobacco, television licences, taxes on betting, and the tax element of the National Lottery.

When expressed as a percentage of expenditure, the proportion paid in indirect tax tends to be lower for households at the top of the distribution compared with those lower down (16 per cent for the top quintile compared with 20 per cent for the bottom quintile). The higher expenditure by low income groups on tobacco accounts for part of this difference.

When expressed as a proportion of gross or disposable income, the impact of indirect taxes declines much more sharply as income rises. This is because those in higher income groups tend to channel a larger proportion of their income into savings and mortgage payments, which do not attract indirect taxes. In addition, for many households in the lower half of the distribution recorded current income is lower than recorded current expenditure, and as a result indirect taxes expressed as a proportion of income appear more regressive than when expressed as a proportion of expenditure.

The final stage in the redistribution process is the addition of benefits in kind, such as those from state education and the health service. Households in the bottom quintile group receive the equivalent of around £7,500 from all benefits in kind, compared with £3,800 received by the top fifth (see Figure 5). These are described in more detail later in the analysis.

Estimates of final income include receipt of all benefits and payment of all taxes. After redistribution through taxes and benefits, the share of income received by the bottom quintile group increases from 3 per cent for original income to 6 per cent for final income. The share of income received by the top quintile group falls from 51 per cent to 44 per cent.

The Gini coefficients which appear in Table 2 produce a similar picture to the shares of income discussed earlier. For 2006/07, the figure of 52 per cent for original income is reduced to 38 per cent for gross income by the inclusion of cash benefits – a large reduction in inequality. The coefficient for disposable income shows the equalising effect of direct taxes, with the figure falling further to 34 per cent. That indirect taxes reverse this effect is confirmed by the Gini coefficient, rising to 39 per cent for post-tax income.

Figure 5

Summary of the effects of taxes and benefits on all households by quintile groups,¹ 2006/07

Average income per household (£ per year)

Note:

- Households are ranked throughout by their grossed equivalised disposable incomes.

Characteristics of households

Some household types are more likely to be located in one part of the income distribution than another. Information about the characteristics of households in the different income groups is shown in **Table 4**. Household size does not vary much across the income distribution, with an average of between 2.2 and 2.5 people per household in each quintile group in 2006/07. There are fewer children in the upper part of the income distribution, and particularly in the top quintile. Men are slightly more likely to be in the upper part of the distribution while women are spread more evenly across the distribution. Higher income groups also contain more economically active people. The top fifth of households have about three times as many economically active people as the bottom fifth.

Among non-retired two-adult households, those without children tend to be concentrated towards the top of the income distribution with 63 per cent in the top two quintiles, while those with more children are lower down. For two-adult households with children, the position in the income distribution tends to vary according to the number of children. Households with more children, unless there is a corresponding increase in income, will have lower equivalised incomes to reflect the additional demand on resources. Non-retired households with one adult and one or more children are concentrated in the lower groups. Around 68 per cent of these households are in the bottom two quintile groups.

Retired households are over-represented at the lower end of the distribution, with 62 per cent falling into the bottom two quintile groups. Among single person retired households, women are both more numerous and also more concentrated towards the bottom of the income distribution compared with men.

Changes in inequality over time

There are several ways of measuring income inequality of which the Gini coefficient is one of the most widely used. It is described in more detail in Appendix 2, while **Figure 6** shows how the Gini coefficients for the various measures of income have changed since 1980. As with other estimates presented here, they are subject to sampling error and some caution is needed particularly in the interpretation of year-to-year changes. However, by looking at data over several years, it is possible to discern underlying trends.

Table 4

Summary of household characteristics of quintile groups of all households,¹ 2006/07

	Quintile groups of all households¹					All households
	Bottom	2nd	3rd	4th	Top	
Number of individuals per household						
Children²	0.6	0.6	0.5	0.5	0.3	0.5
Adults	1.7	1.7	1.9	2.0	1.9	1.8
Men	0.8	0.8	0.9	1.0	1.0	0.9
Women	1.0	0.9	1.0	1.0	0.9	1.0
People	2.4	2.3	2.4	2.5	2.2	2.4
People in full-time education	0.7	0.5	0.5	0.5	0.3	0.5
Economically active people	0.6	0.8	1.3	1.6	1.7	1.2
Retired people	0.6	0.7	0.4	0.3	0.2	0.4
Household type (percentages)						
Retired	38	44	25	16	8	26
Non-retired						
1 adult	13	10	15	14	21	15
2 adults	10	10	19	28	38	21
1 adult with children³	12	8	4	3	2	6
2 adults with children	15	19	21	23	19	19
3 or more adults⁴	11	10	15	15	12	13
All household types	100	100	100	100	100	100

Notes:

- 1 Households are ranked by equivalised disposable income.
- 2 Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.
- 3 This group is smaller than the category of 'one-parent families' because some of these families will be contained in the larger household types.
- 4 With or without children.

As shown in Figure 6, the Gini coefficients for gross, disposable and post-tax income all increased between 2004/05 and 2006/07. The increase in 2005/06 was primarily due to increased inequality of original income, with faster growth in wages and salaries and self-employment income in the upper part of the distribution compared with the lower part. This was to some extent reversed in 2006/07, although lower growth in average income from cash benefits compared with earnings had the

effect of increasing inequality. The Gini coefficients for disposable income published in the Department for Work and Pensions' *Households Below Average Income* were also higher in 2005/06 and 2006/07 compared with 2004/05.

This followed a period between 2001/02 and 2004/05 when income inequality was falling. Over this period, there was a slight fall in inequality of original income due to faster growth in income from earnings and self-employment income at the bottom end

Figure 6
Gini coefficients, 1980 to 2006/07

of the income distribution. Policy changes such as the increases in the National Minimum Wage, increases in tax credit payments, and the increase in NICs in 2003/04 would also have resulted in small reductions in inequality of disposable and post-tax income during this period.

Inequality of disposable income increased in the late 1980s and, despite periods of both rising and falling inequality since 1990, inequality of disposable income has remained higher than it was in the late 1970s and early 1980s. The Institute for Fiscal Studies has investigated some of the possible reasons for the higher level of inequality since 1990. There has been an increase in wage inequality, and particularly an increase in the gap between wages for skilled and unskilled workers. Suggested reasons include skills-biased technological change, a decline in the role of trade unions, and a growth in self-employment income.

There has also been a decrease in the rate of male participation in the labour market, often in households where there is no other earner, as well as increased female participation among those with working partners. This has led to an increased polarisation between two-earner and zero-earner households. In the late 1990s, the proportion of people in workless households started to fall slowly, probably contributing to the small reduction in inequality of original income seen since 2001/02.

The difference between the Gini coefficients for original and post-tax income can be seen as a measure of monetary redistribution through the tax and benefit system (that is, one which excludes the effect of benefits in kind). To some extent this will be cyclical. While the Gini coefficient for original income was rising steadily throughout the 1980s, the Gini coefficient for post-tax income was stable for the first half of the 1980s but then rose sharply in the second half of the decade. This implies that through the early 1980s there was an increasing amount of redistribution, with a decreasing amount through the late 1980s.

Through the recession of the early 1990s and the subsequent early recovery, inequality of original income increased but more slowly, and increasing redistribution saw inequality of post-tax income gradually fall until 1995/96. In the late 1990s, inequality of original income was largely unchanged while the amount of redistribution started to decline

again and this resulted in a gradual increase in inequality of post-tax income until 2001/02.

Results for non-retired households

Overall effect

As for all households, the tax and benefit systems lead to income being shared more equally between non-retired households. Before government intervention, original income is shared more equally between non-retired households, as shown in **Table 5**, than for all households, as shown in **Table 2**. However, after the process of redistribution, the shares of income and Gini coefficients for post-tax income are very similar to those for all households. The redistribution effect is therefore smaller for non-retired households than for all households. A summary of the effects of taxes and benefits on non-retired households is shown in **Table 6**.

Characteristics of non-retired households

Unlike for all households, the average household size tends to decrease as income increases. This fall is largely accounted for by the decrease in the average number of children in each household, from 1.0 in the bottom quintile group to 0.4 in the top.

Although one-adult households with children tend to be concentrated lower down the income distribution, this tendency is slightly less pronounced than it used to be. In 1998/99, 75 per cent of one-adult households with children were

in the bottom four deciles, which compares with 68 per cent in 2006/07.

Original income

The average original income for non-retired households is £37,600 (**Table 6**). As mentioned above, inequality of original income is lower for non-retired households than for all households. The ratio of the averages for the top and bottom quintiles is ten to one (compared with 15 to one for all households).

The original income of households shows a relatively strong relationship to the number of economically active people they contain. On average, households in the top three quintile groups contain almost twice as many economically active people as those in the lowest group (**Table 6**).

Cash benefits

Table 7 gives a summary of the cash benefits that each quintile group receives. There are two types of cash benefits: contributory benefits which are paid from the National Insurance Fund (to which individuals and their employers make contributions while working) and non-contributory benefits. For non-retired households, non-contributory benefits make up nearly three-quarters of all cash benefits on average.

Most non-contributory benefits, particularly income support, tax credits and housing benefit, are income-related, and so payments are concentrated in the two lowest quintile groups. The presence of some individuals with low incomes in high income households means that some

Table 5

Percentage shares of household income and Gini coefficients¹ for non-retired households, 2006/07

	Percentage shares of equivalised income for non-retired households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group ²				
Bottom	4	6	7	6
2nd	10	11	12	11
3rd	16	16	17	16
4th	24	23	23	22
Top	46	43	42	44
All non-retired households	100	100	100	100
Decile group ²				
Bottom	1	2	3	2
Top	30	28	27	29
Gini coefficient (per cent)	45	37	35	39

Notes:

- 1 This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 53).
- 2 Households are ranked by equivalised disposable income.

Table 6

Summary of the effects of taxes and benefits: by quintile groups on non-retired households,¹ 2006/07

	Quintile groups of non-retired households ¹						Ratio
	Bottom	2nd	3rd	4th	Top	All non-retired households	top/bottom quintile
Income, taxes and benefits per household (£ per year)							
Original income	7,760	20,660	32,380	46,060	81,110	37,590	10
<i>plus</i> cash benefits	5,960	4,640	2,530	1,610	1,090	3,170	0.2
Gross income	13,720	25,310	34,910	47,660	82,200	40,760	6
<i>less</i> direct taxes ² and employees' NICs	1,590	4,320	7,380	11,270	20,710	9,050	13
Disposable income	12,130	20,980	27,530	36,400	61,480	31,700	5
<i>less</i> indirect taxes	3,810	4,680	5,410	6,460	7,760	5,620	2
Post-tax income	8,320	16,300	22,120	29,940	53,720	26,080	6
<i>plus</i> benefits in kind	8,270	6,690	5,460	4,560	3,550	5,700	0.4
Final income	16,590	22,990	27,580	34,500	57,270	31,780	3
Number of individuals per household							
Children ³	1.0	0.9	0.7	0.5	0.4	0.7	
Adults	1.9	2.0	2.0	2.0	1.9	2.0	
Men	0.9	1.0	1.0	1.1	1.0	1.0	
Women	1.0	1.0	1.0	1.0	0.9	1.0	
People	2.9	2.9	2.7	2.6	2.2	2.7	
People in full-time education	1.1	0.9	0.6	0.5	0.3	0.7	
Economically active people	1.0	1.5	1.8	1.9	1.8	1.6	
Retired people	0.1	0.1	0.1	0.1	0.0	0.1	

Notes:

- Households are ranked by equivalised disposable income.
- These are income tax (which is after deducting tax credits and tax relief at source on life assurance premiums), council tax and Northern Ireland rates, but after deducting discounts, council tax benefit and rates rebates.
- Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.

Table 7

Cash benefits for non-retired households: by quintile groups,¹ 2006/07

	Quintile groups of non-retired households ¹					
	Bottom	2nd	3rd	4th	Top	All non-retired households
Average per household (£ per year)						
Contributory						
Retirement pension	240	660	640	510	420	490
Incapacity benefit	630	410	180	100	10	270
Jobseeker's allowance ²	60	20	10	0	-	20
Other	20	90	80	120	170	90
Total contributory	940	1,180	910	730	590	870
Non-contributory						
Income support ³	1,090	510	150	50	20	360
Tax credits ⁴	970	840	210	60	30	420
Child benefit	780	710	510	400	280	530
Housing benefit	1,250	590	170	70	10	420
Jobseeker's allowance ⁵	180	40	10	0	0	50
Sickness/disability related	460	600	420	210	50	350
Other	290	180	150	80	100	160
Total non-contributory	5,020	3,460	1,610	880	490	2,290
Total cash benefits	5,960	4,640	2,530	1,610	1,090	3,170
Cash benefits as a percentage of gross income	43	18	7	3	1	8

Notes:

- Households are ranked by equivalised disposable income.
- Contribution-based.
- Including pension credit.
- Child tax credit and working tax credit.
- Income-based.

payments are recorded further up the income distribution. Of the total amount of income support, tax credits and housing benefit paid to non-retired households, 87 per cent goes to the bottom two-fifths, with the majority of this going to the bottom quintile.

Child benefit is based on the number of children in the household. Levels of child benefit received are also higher at the lower end of the distribution, as these households tend to have more children.

In contrast to non-contributory benefits, a criterion for receipt of contributory benefits is the amount of NICs that have been paid by, or on behalf of, the individual. The amounts received from these benefits are also higher in the lower half of the distribution, but to a lesser extent than for non-contributory benefits.

Cash benefits provide 43 per cent of gross income for households in the bottom quintile group, falling to just 1 per cent for households in the top quintile. Their payment results in a significant reduction in income inequality.

Direct and indirect taxes

Table 8 and **Table 9** show the payment of direct and indirect taxes by non-retired households only. The patterns are similar to those described for all households. As noted for all households, NICs as a proportion of gross income increase from the first to the fourth quintile group, but are then lower for the top fifth of households. In 2006/07, employees' NICs were levied at 11 per cent on weekly earnings from £97 to £645 and at 1 per cent above this. Many people in households in the top quintile group will have a significant part of their earnings taxed at this lower rate.

Benefits in kind

The Government provides certain goods and services to households either free at the time of use or at subsidised prices. This study allocates these benefits in kind to individual households in order to arrive at final income. The largest two categories for which such imputations are made are health and education services. The imputed value of these benefits is based on the estimated cost of providing them. This expenditure on health and education, which is allocated to households, is equivalent to around 28 per cent of total general government expenditure. Other items for which imputations are made are free school meals and welfare milk, housing subsidy and travel subsidies. These items are

Table 8

Taxes as a percentage of gross income for non-retired households: by quintile groups,¹ 2006/07

	Quintile groups of non-retired households ¹					All non-retired households
	Bottom	2nd	3rd	4th	Top	
Direct taxes						
Income tax ²	4.5	8.8	12.3	15.1	19.1	14.7
Employees' NICs	2.7	4.9	5.8	6.2	4.5	5.1
Council tax and NI rates ³	4.4	3.5	2.9	2.4	1.6	2.4
All direct taxes	11.6	17.1	21.1	23.6	25.2	22.2
All indirect taxes	27.8	18.5	15.5	13.5	9.4	13.8
All taxes	39.4	35.6	36.6	37.2	34.6	36.0

Notes:

- Households are ranked by equivalised disposable income.
- After deducting tax credits and tax relief at source on life assurance premiums.
- Council tax and Northern Ireland rates after deducting discounts, council tax benefit and rates rebates.

Table 9

Indirect taxes as a percentage of disposable income and household expenditure¹ for non-retired households: by quintile groups,² 2006/07

	Quintile groups of non-retired households ²					All non-retired households
	Bottom	2nd	3rd	4th	Top	
(a) Percentages of disposable income						
VAT	12.2	8.9	8.2	7.7	5.7	7.5
Duty on alcohol	1.5	1.2	1.2	1.1	0.7	1.0
Duty on tobacco	3.3	2.1	1.4	0.9	0.4	1.1
Duty on hydrocarbon oils and vehicle excise duty	3.5	2.8	2.6	2.4	1.5	2.2
Other indirect taxes	10.9	7.3	6.2	5.7	4.4	5.9
All indirect taxes	31.4	22.3	19.6	17.7	12.6	17.7
(b) Percentages of expenditure¹						
VAT	7.8	7.8	7.6	7.4	6.9	7.4
Duty on alcohol	1.0	1.0	1.1	1.1	0.8	1.0
Duty on tobacco	2.1	1.8	1.3	0.9	0.4	1.1
Duty on hydrocarbon oils and vehicle excise duty	2.2	2.5	2.4	2.3	1.8	2.2
Other indirect taxes	7.0	6.4	5.8	5.5	5.3	5.8
All indirect taxes	20.1	19.5	18.2	17.2	15.2	17.5

Notes:

- Calculated to be consistent with disposable income. See paragraph 35 of Appendix 2 for the definition of expenditure.
- Households are ranked by equivalised disposable income.

Table 10

Benefits in kind for non-retired households: by quintile groups,¹ 2006/07

	Quintile groups of non-retired households ¹					All non-retired households
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
Education	5,130	3,350	2,520	1,720	1,000	2,750
National Health Service	2,900	3,190	2,820	2,730	2,400	2,810
Housing subsidy	40	20	10	0	0	20
Travel subsidies	80	80	90	90	140	100
School meals and welfare milk	100	40	10	10	0	30
All benefits in kind	8,270	6,690	5,460	4,560	3,550	5,700
Benefits in kind as a percentage of post-tax income	99	41	25	15	7	22

Note:

- Households are ranked by equivalised disposable income.

equivalent to a further 1 per cent of general government expenditure. **Table 10** gives a summary of the value of these benefits for each quintile group for non-retired households.

The benefit in kind from education is allocated to a household according to its members' use of state education (Appendix 2, paragraph 38). Households in the lower quintiles receive the highest benefit from education, as shown in Table 10. This is due to the concentration of children in this part of the distribution. In addition, children in households in the higher quintiles are more likely to be attending private schools, and an allocation is not made in these cases. Free school meals and welfare milk go predominantly to lower income groups, where children are more likely to have school meals provided free of charge.

The benefit from the health service is estimated according to the age and sex of the household members rather than their actual use of the service, as the EFS does not contain this information (Appendix 2, paragraph 40). The imputed benefit is relatively high for young children, low in later childhood and through the adult years until it begins to rise from late middle age onwards. This benefit is similar in the bottom two quintiles, then falls gradually as income rises, as shown in Table 10. This pattern is a reflection of the demographic composition of households. Studies by Sefton (1997, 2002) have attempted to allow for variations in use of the health service according to socio-economic characteristics.

The benefit imputed to households for the National Health Service has risen in recent years, reflecting increased government spending on health. Throughout the 1990s, it was equivalent to around 9 per cent of average post-tax income for non-retired households. From 2001/02 onwards, the benefit increased and by 2006/07 was equivalent to 11 per cent of post-tax income, or an average of £2,800 per year.

The housing subsidy, which excludes housing benefit (Appendix 2, paragraph 41), has fallen in recent years as the proportion of households in public sector, housing association and Registered Social Landlord housing has declined, and government housing assistance policy has moved away from subsidising rents directly.

Travel subsidies cover the support payments made to bus and train operating companies. The use of public transport by non-retired households is partly related to

the need to travel to work and therefore to the number of economically active people in a household. This results in estimates of these subsidies being higher for households in higher income quintiles. This pattern is also due to London and the South East having higher levels of commuting by public transport together with higher than average household incomes.

Taken together, the absolute value of these benefits in kind declines as household income increases. The ratio of benefits in kind to post-tax income decreases from 99 per cent for the lowest quintile group to 7 per cent for the highest. This indicates that these benefits contribute to the reduction of inequality.

The effects of taxes and benefits by household type

The tax and benefit systems affect different types of household in different ways reflecting, in part, the number and ages of people within each household type. Of the types of non-retired households shown in **Figure 7**, only those containing one adult and children make significant net gains, with average final incomes of £21,800 compared with original incomes of £11,700. Households with two adults and three or more children are also net beneficiaries, but to a smaller extent.

Original income is strongly related to the number of adults in the household. For two-adult households, those with children have broadly similar levels of original income to those without, but they receive more cash benefits such as tax credits and child benefit than those without children. Final incomes are also higher for those with children due to the imputed benefit in kind from education.

For one-adult households, original income is much lower for those with children as the adult is less likely to be economically active. Benefits, both in cash and in kind, are significantly higher for those with children.

Results for retired households

In this analysis, retired households are those where the income of retired household members accounts for more than half of the household gross income (see Appendix 2, paragraph 9 for the definition of a retired person). These households have quite distinct income and expenditure patterns. The tax and benefit systems affect them in different ways from non-retired households.

Retired households are much more likely to be towards the bottom of the income

Figure 7

Income stages: by non-retired household types, 2006/07

Average income per household (£ per year)

Note:

1 With or without children.

distribution. Of retired households with two or more adults, 61 per cent are in the bottom two quintile groups. One-adult male households are slightly less concentrated towards the bottom of the income distribution, with 58 per cent in the lowest two quintiles. However, among one-adult female households, which outnumber one-adult male households by about three to one, 66 per cent are in the bottom two quintiles. These patterns have changed very little over the last ten years.

Among retired households, there is a high degree of inequality in original income. **Table 11** shows that, before government intervention, the richest fifth of retired households receive 57 per cent of total original income, while the Gini coefficient for this measure of income is 62 per cent. Both these measures are higher (showing more inequality) than equivalent figures for non-retired households. After

the impact of taxes and benefits, there is a large reduction in inequality. Cash benefits play by far the largest part in bringing about this reduction. Payment of direct taxes makes a further, though much smaller, contribution. Payments of indirect taxes result in an increase in inequality.

Overall, retired households receive an average of £9,000 in original income, with most of this coming from occupational pensions and investments (**Table 12**). Original income ranges from £1,900 for the bottom quintile group to £26,000 for the top. On the other hand, amounts received from cash benefits vary less across the distribution. On average, households in the bottom fifth receive around £6,500 from this source, while those in the second to fifth quintile groups receive between £8,600 and £9,700. These cash benefits make up large proportions of the gross incomes for the bottom four quintiles, ranging from

Table 11

Percentage shares of household income and Gini coefficients¹ for retired households, 2006/07

	Percentage shares of equivalised income for retired households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group ²				
Bottom	4	10	10	9
2nd	8	14	14	14
3rd	11	17	17	17
4th	20	22	22	22
Top	57	39	37	38
All households	100	100	100	100
Decile group ²				
Bottom	2	4	4	3
Top	40	24	23	24
Gini coefficient (per cent)	62	29	27	31

Notes:

- 1 This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 53).
- 2 Households are ranked by equivalised disposable income.

Table 12

Summary of the effects of taxes and benefits: by quintile groups on retired households,¹ 2006/07

	Quintile groups of retired households ¹					All retired households
	Bottom	2nd	3rd	4th	Top	
Income, taxes and benefits per household (£ per year)						
Original income						
Earnings	70	180	200	590	1,510	510
Occupational pensions	1,410	2,630	3,850	7,390	17,860	6,630
Investment income	410	410	470	1,070	6,570	1,790
Other income	30	60	100	140	50	70
Total original income	1,930	3,280	4,610	9,190	25,980	9,000
<i>plus</i> Contributory benefits	5,300	6,880	6,760	6,800	6,870	6,520
Non-contributory benefits	1,230	1,670	2,490	2,870	1,870	2,030
Total cash benefits	6,540	8,560	9,240	9,670	8,740	8,550
Gross income	8,470	11,840	13,850	18,860	34,730	17,550
<i>less</i> Income tax ²	240	370	620	1,360	4,630	1,440
Employees' NICs	10	10	10	30	110	30
Council tax and Northern Ireland rates ³	800	720	660	890	1,250	860
Disposable income	7,420	10,740	12,570	16,580	28,730	15,210
<i>less</i> Indirect taxes	2,120	2,400	2,710	3,030	5,040	3,060
Post-tax income	5,300	8,340	9,860	13,550	23,690	12,150
<i>plus</i> National Health Service	5,580	5,490	5,190	5,320	4,910	5,300
Housing subsidy	10	10	30	20	10	20
Other benefits in kind	250	150	200	200	160	190
Final income	11,140	13,990	15,280	19,100	28,770	17,660
Cash benefits as a percentage of gross income	77	72	67	51	25	49
Retirement pension as a percentage of cash benefits	79	79	71	69	79	75

Notes:

1 Households are ranked by equivalised disposable income.

2 After deducting tax credits and tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts, council tax benefit and rates rebates.

77 per cent for the bottom quintile group to 51 per cent for the fourth quintile group. The top fifth are much less dependent on cash benefits – these account for only 25 per cent of their gross incomes.

Most retired people will have made contributions to the National Insurance Fund throughout their working lives. The bulk of the benefits which retired households receive will be paid out of this fund in the form of contributory benefits. The most significant of these is the state retirement pension, which on average accounts for three-quarters of their cash benefits.

Non-contributory benefits are lowest in the bottom two quintile groups.

housing benefit and disability benefits can sometimes make up a significant proportion of the income of retired households, who as a result will appear higher up the income distribution. However, this does not necessarily mean that they have a higher standard of living. Households receiving housing benefit are likely to have higher housing costs than owner-occupiers, and similarly the income from disability benefits may be offset by additional costs incurred by the individual due to their illness or disability.

Retired households derive significant benefits from health services. Health benefit is spread fairly evenly between retired

households and in 2006/07 was worth an average of £5,300. This is close to twice the figure for non-retired households, and increases their post-tax income by 44 per cent. The benefits received by retired households from travel subsidies are mainly for bus travel, particularly in the form of concessionary fares and passes for senior citizens and, since these are not usually means-tested, there is no particular relationship with income.

Overall, retired households are major beneficiaries from redistribution through the tax and benefit system. Retired households with two or more adults have an average original income of £13,000, but a final income of £22,000. The corresponding figures for one-adult households are £5,000 and £13,400. Among one-adult households, women have a lower original income than men, but after the addition of benefits and the deduction of taxes, the differences are greatly reduced.

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Appendix 1

Table 13 (Appendix 1)

Taxes and benefits allocated to households as a percentage of general government expenditure, 2006

Taxes and compulsory social contributions ¹ allocated to households			Benefits allocated to households		
	£ million	% of GGE ²		£ million	% of GGE ²
Income tax (gross)	137,620	24.3	Cash benefits		
Tax reliefs	-40	0.0			
Income tax (net)	137,580	24.3	Contributory (National Insurance, etc)		
Employees' & self-employed NI contributions	39,350	6.9	Retirement	53,200	9.4
Council tax	22,030	3.9	Incapacity benefit	6,690	1.2
			Widows' and guardians' allowances	820	0.1
			Maternity/Statutory maternity pay	1,490	0.3
			Job seekers allowance	480	0.1
			Social fund	2,270	0.4
			Other	280	0.0
Taxes on final goods and services			Non-contributory		
VAT	58,290	10.3	Income support	15,940	2.8
Duty on hydrocarbon oils	11,830	2.1	Working and child tax credits	13,730	2.4
Duty on tobacco	7,850	1.4	Other family benefits	10,110	1.8
Vehicle excise duty	4,030	0.7	War pensions	1,000	0.2
Duty on wines, cider, perry and spirits	4,460	0.8	Other	22,250	3.9
Duty on beer	2,860	0.5			
Betting duties	880	0.2	Student support	990	0.2
Camelot: payments to NLDF	1,320	0.2			
Stamp duty on house purchase	3,570	0.6	Rent rebates and allowances	14,500	2.6
Other	2,270	0.4			
Taxes & NI contributions on			Benefits in kind		
Intermediate goods & services ³					
Employers' NI contributions	16,920	3.0	Health services	90,160	15.9
Commercial & industrial rates	9,740	1.7	Education	65,730	11.6
Duty on hydrocarbon oils	5,940	1.0	Travel subsidies ⁴	2,510	0.4
VAT	4,210	0.7	Housing subsidy	410	0.1
Vehicle excise duty	500	0.1	School meals and welfare milk	1,120	0.2
Other	5,100	0.9			
Total	338,730	59.8	Total	303,680	53.6
Total government expenditure	566,290				

Notes:

1 Paid to UK central and local government and European Union institutions.

2 Expressed as a percentage of general government expenditure.

3 These are taxes paid by industry and commerce assumed to be passed on to households in the prices of goods and services they buy. For instance, duty on derv used in the transportation of goods is an 'intermediate' tax whereas the duty on petrol bought by the private motorist is a tax on final goods and services.

4 Including concessionary fares expenditure.

Source: United Kingdom National Accounts, 2007 Edition.

Table 14 (Appendix 1)

Average incomes, taxes and benefits by decile groups of ALL households, 2006/07

	Decile groups of all households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	10,323	12,933	15,497	18,001	20,891	24,298	28,597	34,717	45,291		
Number of households in the population ('000s)	2,479	2,488	2,482	2,483	2,482	2,486	2,483	2,481	2,486	2,486	24,836
Original income											
Wages and salaries	2,072	3,994	6,808	10,254	15,527	20,147	27,283	34,049	41,176	68,693	23,000
Imputed income from benefits in kind	21	11	16	50	119	239	237	463	793	1,303	325
Self-employment income	585	690	685	852	1,692	1,609	2,273	2,657	5,346	13,974	3,036
Occupational pensions, annuities	483	1,046	1,600	1,938	2,488	2,701	2,800	3,403	3,307	4,548	2,431
Investment income	301	223	239	365	564	554	997	1,453	1,866	4,320	1,088
Other income	199	177	143	160	263	252	128	219	237	213	199
Total	3,661	6,141	9,491	13,618	20,653	25,503	33,718	42,243	52,724	93,051	30,080
Direct benefits in cash											
Contributory											
Retirement pension	1,806	2,812	3,354	2,997	2,484	1,995	1,736	1,415	957	909	2,047
Job seeker's allowance (Contribution based)	52	37	36	15	2	10	2	2	1	-	16
Incapacity benefit	393	434	391	394	190	173	106	123	27	9	224
Widows' benefits	8	20	10	62	14	7	29	-	13	15	18
Statutory Maternity Pay/Allowance	7	-	11	14	34	52	66	82	114	151	53
Non-contributory											
Income support and pension credit	720	1,064	710	547	277	336	182	56	86	20	400
Child benefit	471	485	457	448	404	396	388	371	294	244	396
Housing benefit	717	1,004	880	798	439	379	140	83	43	-	448
Job seeker's allowance (Income based)	184	108	27	7	31	9	-	-	13	-	38
Carer's allowance	34	66	93	58	64	40	51	8	3	4	42
Attendance allowance	19	41	64	88	59	72	53	24	-	3	42
Disability living allowance	213	279	357	451	463	376	304	131	64	37	268
War pensions/War widows' pensions	2	1	37	27	36	49	33	57	22	3	27
Severe disablement allowance	10	42	34	53	51	68	52	4	36	14	36
Industrial injury disablement benefit	16	19	16	29	24	15	13	15	2	6	15
Student support	108	176	65	72	53	124	18	36	35	4	69
Government training schemes	11	15	5	5	9	3	2	4	-	1	5
Tax credits ¹	491	693	632	520	374	209	97	48	36	12	311
Other non-contributory benefits ²	151	177	156	158	134	122	110	57	140	42	125
Total cash benefits	5,415	7,475	7,335	6,744	5,142	4,435	3,383	2,516	1,885	1,473	4,580
Gross income	9,076	13,616	16,826	20,362	25,795	29,938	37,100	44,759	54,609	94,524	34,661
Direct taxes and Employees' NIC											
Income tax	318	657	1,122	1,757	2,711	3,573	5,040	6,623	8,790	18,944	4,954
less: Tax credits ³	35	135	232	256	210	215	185	128	70	17	148
Employees' NI contributions	118	250	467	685	1,089	1,458	2,007	2,539	3,052	3,617	1,528
Council tax and Northern Ireland rates ⁴	955	960	976	976	1,044	1,085	1,122	1,189	1,244	1,383	1,093
less: Council tax benefit/Rates rebates	277	340	249	212	98	102	47	20	12	9	137
Total	1,078	1,392	2,084	2,950	4,537	5,799	7,938	10,202	13,003	23,918	7,290
Disposable income	7,998	12,224	14,742	17,412	21,259	24,138	29,162	34,557	41,606	70,606	27,370
Equivalised disposable income	7,420	11,665	14,203	16,749	19,403	22,516	26,351	31,349	39,103	69,547	25,831
Indirect taxes											
Taxes on final goods and services											
VAT	1,238	1,262	1,360	1,484	1,809	1,945	2,421	2,736	2,945	3,840	2,104
Duty on tobacco	253	307	376	359	350	324	384	276	232	198	306
Duty on beer and cider	70	70	70	82	114	139	161	155	167	167	120
Duty on wines & spirits	79	81	82	109	131	145	177	201	211	263	148
Duty on hydrocarbon oils	252	265	308	337	425	471	540	669	649	710	463
Vehicle excise duty	81	83	95	102	134	141	165	179	194	210	138
Television licences	103	96	97	116	106	109	116	121	124	125	111
Stamp duty on house purchase	71	53	51	70	97	109	153	216	267	501	159
Customs duties	20	20	21	23	25	27	31	35	39	50	29
Betting taxes	25	29	45	37	37	30	40	48	37	37	36
Insurance premium tax	25	27	27	34	41	46	53	62	64	88	47
Air passenger duty	10	18	10	21	25	33	29	48	56	58	31
Camelot National Lottery Fund	45	57	55	57	61	56	57	57	47	42	53
Other	10	5	6	27	12	8	21	20	38	37	18
Intermediate taxes											
Commercial and industrial rates	186	185	190	208	234	253	288	320	356	460	268
Employers' NI contributions	328	325	336	366	412	445	508	565	628	811	472
Duty on hydrocarbon oils	112	111	115	125	141	152	174	193	215	277	162
Vehicle excise duty	9	9	10	10	12	13	14	16	18	23	13
Other	189	187	193	211	237	257	292	325	361	467	272
Total indirect taxes	3,107	3,191	3,447	3,777	4,401	4,703	5,624	6,244	6,645	8,364	4,950
Post-tax income	4,891	9,033	11,294	13,635	16,858	19,435	23,538	28,313	34,961	62,243	22,420
Benefits in kind											
Education	4,074	2,642	2,046	2,267	1,977	2,132	1,676	1,568	1,196	839	2,042
National health service	3,727	4,097	4,292	3,906	3,666	3,460	3,150	3,036	2,768	2,512	3,462
Housing subsidy	28	41	24	26	20	15	5	4	3	0	17
Rail travel subsidy	28	9	15	10	22	30	38	47	52	103	36
Bus travel subsidy	81	84	81	86	76	70	65	60	45	69	72
School meals and welfare milk	65	78	36	28	13	8	7	4	3	1	24
Total	8,003	6,951	6,495	6,324	5,774	5,715	4,942	4,719	4,067	3,524	5,651
Final income	12,894	15,984	17,789	19,958	22,632	25,150	28,480	33,032	39,028	65,767	28,071

Notes:

- 1 Child tax credit and working tax credit.
- 2 There were no age-related payments in 2006/07.
- 3 Including tax relief at source on life assurance premiums.
- 4 Council tax and Northern Ireland rates after deducting discounts.

Table 14A (Appendix 1)

Average incomes, taxes and benefits by quintile groups of ALL households, 2006/07

	Quintile groups of all households ranked by equivalised disposable income					All households
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
Quintile points (equivalised £)	12,933	18,001	24,298	34,717		
Number of households in the population ('000s)	4,967	4,965	4,968	4,965	4,972	24,836
Original income						
Wages and salaries	3,033	8,531	17,837	30,666	54,934	23,000
Imputed income from benefits in kind	16	33	179	350	1,048	325
Self-employment income	637	768	1,650	2,465	9,660	3,036
Occupational pensions, annuities	764	1,769	2,595	3,101	3,928	2,431
Investment income	262	302	559	1,225	3,093	1,088
Other income	188	151	257	174	225	199
Total	4,901	11,554	23,078	37,980	72,888	30,080
Direct benefits in cash						
Contributory						
Retirement pension	2,309	3,176	2,239	1,576	933	2,047
Job seeker's allowance (Contribution based)	45	25	6	2	1	16
Incapacity benefit	413	392	181	115	18	224
Widows' benefits	14	36	10	14	14	18
Statutory Maternity Pay/Allowance	4	12	43	74	133	53
Non-contributory						
Income support and pension credit	892	629	307	119	53	400
Child benefit	478	452	400	380	269	396
Housing benefit	860	839	409	111	22	448
Job seeker's allowance (Income based)	146	17	20	-	6	38
Carer's allowance	50	76	52	30	4	42
Attendance allowance	30	76	66	38	1	42
Disability living allowance	246	404	420	218	50	268
War pensions/War widows' pensions	2	32	42	45	13	27
Severe disablement allowance	26	44	59	28	25	36
Industrial injury disablement benefit	18	22	20	14	4	15
Student support	142	69	89	27	19	69
Government training schemes	13	5	6	3	1	5
Tax credits ¹	592	576	292	73	24	311
Other non-contributory benefits ²	164	157	128	83	91	125
Total cash benefits	6,445	7,040	4,788	2,949	1,679	4,580
Gross income	11,346	18,594	27,867	40,929	74,567	34,661
Direct taxes and Employees' NIC						
Income tax	487	1,440	3,142	5,831	13,867	4,954
/less: Tax credits ³	85	244	212	156	44	148
Employees' NI contributions	184	576	1,274	2,273	3,334	1,528
Council tax and Northern Ireland rates ⁴	958	976	1,064	1,155	1,313	1,093
/less: Council tax benefit/Rates rebates	309	230	100	33	11	137
Total	1,235	2,517	5,168	9,070	18,460	7,290
Disposable income	10,111	16,077	22,699	31,860	56,106	27,370
Equivalised disposable income	9,543	15,476	20,960	28,850	54,325	25,831
Indirect taxes						
Taxes on final goods and services						
VAT	1,250	1,422	1,877	2,579	3,393	2,104
Duty on tobacco	280	368	337	330	215	306
Duty on beer and cider	70	76	127	158	167	120
Duty on wines & spirits	80	96	138	189	237	148
Duty on hydrocarbon oils	258	322	448	605	680	463
Vehicle excise duty	82	99	137	172	202	138
Television licences	99	106	108	118	125	111
Stamp duty on house purchase	62	60	103	185	384	159
Customs duties	20	22	26	33	44	29
Betting taxes	27	41	34	44	37	36
Insurance premium tax	26	31	43	58	76	47
Air passenger duty	14	15	29	39	57	31
Camelot National Lottery Fund	51	56	59	57	44	53
Other	7	17	10	21	37	18
Intermediate taxes						
Commercial and industrial rates	185	199	243	304	408	268
Employers' NI contributions	327	351	429	536	719	472
Duty on hydrocarbon oils	112	120	147	183	246	162
Vehicle excise duty	9	10	12	15	20	13
Other	188	202	247	309	414	272
Total indirect taxes	3,149	3,612	4,552	5,934	7,505	4,950
Post-tax income	6,962	12,464	18,147	25,926	48,602	22,420
Benefits in kind						
Education	3,358	2,156	2,054	1,622	1,017	2,042
National health service	3,912	4,099	3,563	3,093	2,640	3,462
Housing subsidy	35	25	17	4	1	17
Rail travel subsidy	18	13	26	43	78	36
Bus travel subsidy	83	83	73	62	57	72
School meals and welfare milk	71	32	11	5	2	24
Total	7,477	6,409	5,744	4,831	3,796	5,651
Final income	14,439	18,874	23,891	30,756	52,397	28,071

Notes:

- 1 Child tax credit and working tax credit.
- 2 There were no age-related payments in 2006/07.
- 3 Including tax relief at source on life assurance premiums.
- 4 Council tax and Northern Ireland rates after deducting discounts.

Table 15 (Appendix 1)

Household characteristics of decile groups of ALL households, 2006/07

	Decile groups of all households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	2.4	2.4	2.3	2.3	2.4	2.4	2.5	2.5	2.3	2.2	2.4
Adults	1.8	1.7	1.7	1.7	1.9	1.9	2.0	2.0	1.9	1.8	1.8
Men	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.0	0.9
Women	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0	0.9	0.8	1.0
Children	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.3	0.5
Economically active people	0.6	0.6	0.7	0.9	1.2	1.3	1.5	1.6	1.7	1.6	1.2
Retired people	0.5	0.6	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.4
People in full-time education	0.81	0.65	0.53	0.56	0.51	0.51	0.46	0.44	0.34	0.30	0.51
In state primary schools	0.29	0.31	0.27	0.27	0.27	0.23	0.24	0.27	0.17	0.13	0.24
In state secondary schools	0.21	0.22	0.18	0.20	0.15	0.19	0.14	0.09	0.08	0.05	0.15
In further and higher education	0.27	0.10	0.05	0.08	0.08	0.08	0.04	0.05	0.05	0.03	0.08
In other educational establishments	0.04	0.01	0.02	0.01	0.02	0.01	0.03	0.03	0.04	0.09	0.03
Composition (percentages)											
Household type											
Retired											
1 adult	19	18	25	24	13	12	10	6	2	4	13
1 adult men	3	4	6	6	3	3	3	2	1	1	3
1 adult women	15	14	19	18	10	9	7	4	1	2	10
2 or more adults	17	23	22	17	15	10	8	8	5	4	13
Non-retired											
1 adult	15	12	8	11	15	16	12	15	20	22	15
1 adult men	9	7	5	6	7	8	7	9	11	14	8
1 adult women	5	5	3	5	8	9	6	7	10	8	6
2 adults	12	9	9	11	17	21	27	30	34	43	21
3 or more adults	8	4	5	5	11	11	13	12	14	6	9
1 adult with children	11	14	8	7	5	4	3	3	2	1	6
2 adults with 1 child	3	5	6	7	6	8	10	9	11	9	7
2 adults with 2 children	5	6	8	9	10	10	11	10	10	7	9
2 adults with 3 or more children	6	5	5	3	3	4	3	3	0	2	3
3 or more adults with children	4	5	5	5	5	4	3	3	1	3	4
Household tenure											
Rented											
Local authority rented	16	18	22	16	12	10	5	2	1	1	10
Housing association or RSL	9	13	12	12	5	5	4	1	1	0	6
Other rented unfurnished	7	8	7	7	8	7	7	5	6	3	6
Rented furnished	9	3	5	4	6	5	5	4	4	5	5
Rent free	2	1	1	2	2	2	1	1	1	1	1
Owner occupied											
With mortgage	19	17	19	28	34	41	49	60	62	63	39
Rental purchase	0	0	0	0	0	1	1	1	1	-	0
Owned outright	38	40	34	31	34	29	28	27	25	27	31
Age of chief economic supporter											
Under 25	9	5	4	3	3	4	4	2	2	0	4
Over 24 and under 35	10	13	10	10	13	13	14	17	21	22	14
Over 34 and under 45	17	17	18	18	19	21	24	26	24	25	21
Over 44 and under 55	18	15	12	13	18	18	21	22	25	24	19
Over 54 and under 65	17	12	13	17	19	19	17	19	19	20	17
Over 64 and under 75	13	17	22	20	15	12	10	9	6	6	13
Over 74	17	22	22	19	14	13	8	5	3	3	13
Employment status of chief economic supporter											
Self-employed	8	6	4	5	7	5	7	7	11	16	8
Full-time employee	6	13	23	32	46	55	65	71	74	73	46
Part-time employee	11	11	11	9	11	10	6	6	6	3	8
Unemployed	9	3	2	2	1	1	0	-	1	0	2
Unoccupied and under minimum NI age	34	28	14	12	7	6	3	3	2	2	11
Retired/unoccupied over minimum NI age	32	39	46	40	28	23	19	13	6	7	25
Other	0	0	0	-	-	-	-	-	-	-	0

Table 15A (Appendix 1)

Household characteristics of quintile groups of ALL households, 2006/07

	Quintile groups of all households ranked by equivalised disposable income					All
	Bottom	2nd	3rd	4th	Top	households
Average per household (number)						
People	2.4	2.3	2.4	2.5	2.2	2.4
Adults	1.7	1.7	1.9	2.0	1.9	1.8
Men	0.8	0.8	0.9	1.0	1.0	0.9
Women	1.0	0.9	1.0	1.0	0.9	1.0
Children	0.6	0.6	0.5	0.5	0.3	0.5
Economically active people	0.6	0.8	1.3	1.6	1.7	1.2
Retired people	0.6	0.7	0.4	0.3	0.2	0.4
People in full-time education	0.73	0.54	0.51	0.45	0.32	0.51
In state primary schools	0.30	0.27	0.25	0.25	0.15	0.24
In state secondary schools	0.22	0.19	0.17	0.12	0.07	0.15
In further and higher education	0.19	0.07	0.08	0.05	0.04	0.08
In other educational establishments	0.03	0.01	0.02	0.03	0.06	0.03
Composition (percentages)						
Household type						
Retired						
1 adult	18	24	13	8	3	13
1 adult men	3	6	3	3	1	3
1 adult women	15	18	9	6	2	10
2 or more adults	20	20	13	8	5	13
Non-retired						
1 adult	13	10	15	14	21	15
1 adult men	8	6	7	8	12	8
1 adult women	5	4	8	6	9	6
2 adults	10	10	19	28	38	21
3 or more adults	6	5	11	12	10	9
1 adult with children	12	8	4	3	2	6
2 adults with 1 child	4	6	7	9	10	7
2 adults with 2 children	6	9	10	11	9	9
2 adults with 3 or more children	5	4	3	3	1	3
3 or more adults with children	5	5	4	3	2	4
Household tenure						
Rented						
Local authority rented	17	19	11	4	1	10
Housing association or RSL	11	12	5	3	1	6
Other rented unfurnished	7	7	7	6	4	6
Rented furnished	6	4	6	4	5	5
Rent free	1	2	2	1	1	1
Owner occupied	57	56	69	83	88	71
With mortgage	18	23	38	54	62	39
Rental purchase	0	0	0	1	0	0
Owned outright	39	33	31	28	26	31
Age of chief economic supporter						
Under 25	7	3	4	3	1	4
Over 24 and under 35	12	10	13	16	22	14
Over 34 and under 45	17	18	20	25	25	21
Over 44 and under 55	16	12	18	22	25	19
Over 54 and under 65	15	15	19	18	19	17
Over 64 and under 75	15	21	13	9	6	13
Over 74	19	20	13	7	3	13
Employment status of chief economic supporter						
Self-employed	7	4	6	7	13	8
Full-time employee	9	28	50	68	73	46
Part-time employee	11	10	10	6	4	8
Unemployed	6	2	1	0	1	2
Unoccupied and under minimum NI age	31	13	7	3	2	11
Retired/unoccupied over minimum NI age	35	43	25	16	7	25
Other	0	0	-	-	-	0

Table 16 (Appendix 1)

Average incomes, taxes and benefits by decile groups of NON-RETIRED households, 2006/07

	Decile groups of non-retired households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	10,762	14,123	17,480	20,328	23,553	27,267	31,705	37,749	49,371		
Number of households in the population ('000s)	1,831	1,827	1,835	1,830	1,832	1,830	1,832	1,831	1,831	1,832	18,311
Original income											
Wages and salaries	3,236	8,742	15,166	20,748	24,994	31,235	36,227	42,573	49,168	78,203	31,029
Imputed income from benefits in kind	28	30	62	153	292	276	404	710	994	1,446	440
Self-employment income	932	1,268	1,202	2,042	2,244	2,475	3,111	3,990	6,139	17,670	4,107
Occupational pensions, annuities	167	259	346	592	982	898	1,080	1,605	1,526	1,897	935
Investment income	200	118	175	372	325	521	669	1,311	1,054	3,644	839
Other income	263	276	203	263	322	196	264	169	249	231	243
Total	4,826	10,694	17,154	24,169	29,159	35,601	41,754	50,358	59,131	103,091	37,594
Direct benefits in cash											
Contributory											
Retirement pension	127	345	521	795	642	642	572	442	421	411	492
Job seeker's allowance (Contribution based)	79	36	33	12	14	0	5	3	-	-	18
Incapacity benefit	552	705	557	270	180	188	71	137	8	12	268
Widows' benefits	6	15	82	35	10	39	-	8	19	10	22
Statutory Maternity Pay/Allowance	10	8	20	44	67	42	130	96	116	189	72
Non-contributory											
Income support and pension credit	1,014	1,176	762	251	200	100	41	57	21	27	365
Child benefit	751	799	819	595	519	501	422	384	285	270	534
Housing benefit	1,187	1,315	781	408	235	99	69	76	13	-	418
Job seeker's allowance (Income based)	225	133	35	40	13	-	-	8	9	-	46
Carer's allowance	46	99	112	53	24	53	30	4	6	-	43
Attendance allowance	-	-	4	18	18	27	7	4	-	-	8
Disability living allowance	271	377	518	380	313	239	119	127	12	19	238
War pensions/War widows' pensions	-	2	13	-	36	1	39	21	26	4	14
Severe disablement allowance	17	59	23	37	55	43	30	25	17	-	31
Industrial injury disablement benefit	14	31	19	24	16	21	8	6	8	-	15
Student support	159	268	103	96	164	33	36	38	27	4	93
Government training schemes	18	23	5	14	3	2	1	4	-	2	7
Tax credits ¹	840	1,099	1,059	614	272	141	100	17	45	16	420
Other non-contributory benefits	43	75	58	76	58	42	54	28	146	31	61
Total cash benefits	5,361	6,565	5,526	3,763	2,840	2,214	1,731	1,485	1,178	993	3,166
Gross income	10,187	17,258	22,680	27,932	31,999	37,814	43,485	51,844	60,309	104,084	40,759
Direct taxes and Employees' NIC											
Income tax	386	1,205	2,140	3,056	4,081	5,065	6,388	8,261	10,104	21,343	6,203
less: Tax credits ²	63	299	454	306	274	254	164	122	53	8	200
Employees' NI contributions	178	575	1,027	1,439	1,811	2,272	2,731	3,139	3,530	3,907	2,061
Council tax and Northern Ireland rates ³	901	928	988	1,019	1,041	1,101	1,132	1,199	1,238	1,379	1,093
less: Council tax benefit/Rates rebates	340	292	192	69	53	31	21	11	3	11	102
Total	1,063	2,116	3,510	5,139	6,606	8,152	10,067	12,466	14,816	26,609	9,054
Disposable income	9,124	15,142	19,169	22,793	25,392	29,662	33,419	39,378	45,493	77,475	31,705
Equivalised disposable income	7,581	12,380	15,818	18,875	21,891	25,294	29,399	34,697	42,550	76,316	28,480
Indirect taxes											
Taxes on final goods and services											
VAT	1,419	1,550	1,723	2,018	2,074	2,458	2,546	3,026	3,217	3,825	2,386
Duty on tobacco	339	473	426	460	320	462	335	316	245	188	357
Duty on beer and cider	88	93	98	131	174	165	185	178	175	173	146
Duty on wines & spirits	90	93	101	152	161	161	180	247	217	266	167
Duty on hydrocarbon oils	292	370	426	499	522	572	674	712	681	711	546
Vehicle excise duty	81	96	125	144	155	169	174	193	199	202	154
Television licences	125	121	146	121	124	124	125	127	127	129	127
Stamp duty on house purchase	64	54	80	96	114	143	182	233	295	559	182
Customs duties	24	24	26	28	29	32	34	39	41	51	33
Betting taxes	27	27	31	39	34	39	44	52	31	30	35
Insurance premium tax	24	29	38	44	48	52	55	66	64	86	50
Air passenger duty	12	17	20	21	27	29	35	53	53	55	32
Camelot National Lottery Fund	47	53	55	64	67	60	51	61	51	35	54
Other	13	7	27	13	3	23	22	20	37	37	20
Intermediate taxes											
Commercial and industrial rates	220	224	237	262	265	294	311	355	375	470	301
Employers' NI contributions	387	395	417	462	467	518	547	625	661	828	531
Duty on hydrocarbon oils	132	135	143	158	160	177	187	214	226	283	182
Vehicle excise duty	11	11	12	13	13	15	16	18	19	24	15
Other	223	228	240	266	269	298	315	360	380	477	306
Total indirect taxes	3,619	4,002	4,372	4,992	5,026	5,789	6,018	6,895	7,094	8,428	5,624
Post-tax income	5,505	11,140	14,797	17,801	20,366	23,872	27,401	32,483	38,399	69,047	26,081
Benefits in kind											
Education	5,976	4,294	3,827	2,880	2,801	2,249	1,869	1,572	1,147	852	2,747
National health service	2,822	2,977	3,348	3,028	2,902	2,730	2,774	2,691	2,457	2,344	2,807
Housing subsidy	55	34	27	15	18	5	6	2	1	0	16
Rail travel subsidy	35	17	17	29	34	47	25	68	63	110	44
Bus travel subsidy	57	58	58	59	52	55	51	44	49	66	55
School meals and welfare milk	110	99	57	27	11	9	6	4	2	1	33
Total	9,056	7,478	7,336	6,038	5,819	5,094	4,731	4,380	3,718	3,373	5,702
Final income	14,561	18,618	22,133	23,839	26,185	28,967	32,132	36,862	42,118	72,420	31,783

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.

Table 16A (Appendix 1)

Average incomes, taxes and benefits by quintile groups of NON-RETIRED households, 2006/07

	Quintile groups of non-retired households ranked by equivalised disposable income					All households
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
Quintile points (equivalised £)	14,123	20,328	27,267	37,749		
Number of households in the population ('000s)	3,658	3,664	3,662	3,663	3,663	18,311
Original income						
Wages and salaries	5,989	17,957	28,115	39,400	63,686	31,029
Imputed income from benefits in kind	29	107	284	557	1,220	440
Self-employment income	1,100	1,622	2,359	3,551	11,904	4,107
Occupational pensions, annuities	213	469	940	1,342	1,712	935
Investment income	159	273	423	990	2,349	839
Other income	269	233	259	216	240	243
Total	7,760	20,662	32,380	46,056	81,111	37,594
Direct benefits in cash						
Contributory						
Retirement pension	236	658	642	507	416	492
Job seeker's allowance (Contribution based)	57	22	7	4	-	18
Incapacity benefit	628	413	184	104	10	268
Widows' benefits	11	58	25	4	14	22
Statutory Maternity Pay/Allowance	9	32	54	113	152	72
Non-contributory						
Income support and pension credit	1,095	507	150	49	24	365
Child benefit	775	707	510	403	277	534
Housing benefit	1,251	594	167	72	6	418
Job seeker's allowance (Income based)	179	38	7	4	5	46
Carer's allowance	72	82	38	17	3	43
Attendance allowance	-	11	23	5	-	8
Disability living allowance	324	449	276	123	16	238
War pensions/War widows' pensions	1	7	18	30	15	14
Severe disablement allowance	38	30	49	27	8	31
Industrial injury disablement benefit	23	22	19	7	4	15
Student support	214	100	99	37	16	93
Government training schemes	21	10	3	3	1	7
Tax credits ¹	970	837	206	58	30	420
Other non-contributory benefits	59	67	50	41	88	61
Total cash benefits	5,963	4,644	2,527	1,608	1,086	3,166
Gross income	13,723	25,306	34,907	47,665	82,196	40,759
Direct taxes and Employees' NIC						
Income tax	795	2,598	4,573	7,325	15,723	6,203
less: Tax credits ²	181	380	264	143	30	200
Employees' NI contributions	377	1,233	2,041	2,935	3,718	2,061
Council tax and Northern Ireland rates ³	914	1,004	1,071	1,166	1,308	1,093
less: Council tax benefit/Rates rebates	316	131	42	16	7	102
Total	1,589	4,325	7,379	11,266	20,712	9,054
Disposable income	12,133	20,981	27,527	36,398	61,484	31,705
Equivalised disposable income	9,980	17,346	23,593	32,048	59,433	28,480
Indirect taxes						
Taxes on final goods and services						
VAT	1,485	1,871	2,266	2,786	3,521	2,386
Duty on tobacco	406	443	391	326	217	357
Duty on beer and cider	91	115	170	182	174	146
Duty on wines & spirits	91	126	161	213	242	167
Duty on hydrocarbon oils	331	462	547	693	696	546
Vehicle excise duty	89	134	162	184	200	154
Television licences	123	134	124	126	128	127
Stamp duty on house purchase	59	88	128	208	427	182
Customs duties	24	27	30	36	46	33
Betting taxes	27	35	36	48	30	35
Insurance premium tax	26	41	50	61	75	50
Air passenger duty	15	20	28	44	54	32
Camelot National Lottery Fund	50	59	63	56	43	54
Other	10	20	13	21	37	20
Intermediate taxes						
Commercial and industrial rates	222	250	280	333	422	301
Employers' NI contributions	391	440	493	586	744	531
Duty on hydrocarbon oils	134	150	168	200	254	182
Vehicle excise duty	11	13	14	17	21	15
Other	225	253	284	338	429	306
Total indirect taxes	3,811	4,682	5,408	6,456	7,761	5,624
Post-tax income	8,322	16,299	22,119	29,942	53,723	26,081
Benefits in kind						
Education	5,135	3,354	2,525	1,720	999	2,747
National health service	2,899	3,188	2,816	2,732	2,400	2,807
Housing subsidy	44	21	12	4	1	16
Rail travel subsidy	26	23	41	46	86	44
Bus travel subsidy	57	59	54	47	57	55
School meals and welfare milk	105	42	10	5	2	33
Total	8,267	6,687	5,457	4,555	3,546	5,702
Final income	16,589	22,986	27,576	34,497	57,269	31,783

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.

Table 17 (Appendix 1)

Household characteristics of decile groups of NON-RETIRED households, 2006/07

	Decile groups of non-retired households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	2.9	3.0	3.0	2.8	2.7	2.7	2.6	2.5	2.3	2.2	2.7
Adults	1.9	1.9	1.9	2.1	2.0	2.0	2.0	2.1	2.0	1.8	2.0
Men	0.8	0.9	0.9	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.0
Women	1.0	1.0	1.0	1.1	1.0	1.0	0.9	1.0	0.9	0.8	1.0
Children	1.0	1.1	1.1	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.7
Economically active people	0.9	1.1	1.4	1.7	1.7	1.8	1.9	1.9	1.8	1.7	1.6
Retired people	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1
People in full-time education	1.23	1.06	0.95	0.76	0.66	0.61	0.52	0.44	0.34	0.32	0.69
In state primary schools	0.47	0.50	0.48	0.39	0.29	0.31	0.30	0.25	0.16	0.13	0.33
In state secondary schools	0.33	0.37	0.33	0.22	0.25	0.20	0.11	0.10	0.07	0.06	0.20
In further and higher education	0.37	0.16	0.11	0.11	0.10	0.06	0.07	0.05	0.04	0.03	0.11
In other educational establishments	0.05	0.02	0.02	0.03	0.02	0.03	0.03	0.04	0.05	0.10	0.04
Composition (percentages)											
Household type											
Non-retired											
1 adult	23	18	18	18	22	15	18	19	21	26	20
1 adult men	14	12	11	8	10	7	12	9	12	17	11
1 adult women	9	6	7	10	12	7	6	10	10	9	9
2 adults	17	16	16	24	26	33	33	35	41	46	29
3 or more adults	11	9	7	15	15	13	16	15	14	5	12
1 adult with children	18	19	14	7	5	5	4	2	2	1	8
2 adults with 1 child	6	8	13	9	10	11	11	11	10	10	10
2 adults with 2 children	9	11	16	15	12	15	12	12	10	7	12
2 adults with 3 or more children	9	8	7	5	5	3	3	2	0	2	4
3 or more adults with children	6	11	9	7	5	5	3	3	2	2	5
Household tenure											
Rented	61	60	44	36	27	24	19	13	13	11	31
Local authority rented	22	26	16	12	7	6	4	1	1	1	9
Housing association or RSL	14	15	12	5	5	3	2	1	1	-	6
Other rented unfurnished	9	11	9	9	8	7	6	5	6	3	7
Rented furnished	13	8	5	8	6	6	6	4	4	6	7
Rent free	3	1	1	1	1	2	2	1	1	1	1
Owner occupied	39	40	56	64	73	76	81	87	87	89	69
With mortgage	25	28	40	46	52	57	63	67	68	67	51
Rental purchase	0	0	1	-	1	-	1	0	1	-	0
Owned outright	14	12	16	18	21	18	16	19	19	22	17
Age of chief economic supporter											
Under 25	14	6	6	5	5	5	4	2	1	1	5
Over 24 and under 35	17	21	17	18	17	16	20	20	24	25	19
Over 34 and under 45	27	30	32	28	26	31	29	27	26	28	28
Over 44 and under 55	25	24	21	23	24	23	27	29	29	23	25
Over 54 and under 65	18	15	19	21	21	20	16	20	18	21	19
Over 64 and under 75	1	2	3	4	4	2	3	2	2	3	3
Over 74	1	2	1	2	2	2	1	0	0	1	1
Employment status of chief economic supporter											
Self-employed	11	10	7	10	8	8	8	9	12	19	10
Full-time employee	10	29	50	63	69	77	83	80	82	77	62
Part-time employee	17	19	19	14	13	9	6	7	5	3	11
Unemployed	12	6	3	2	1	0	0	1	1	0	3
Unoccupied and under minimum NI age	48	34	19	8	6	4	1	2	0	0	12
Retired/unoccupied over minimum NI age	1	2	2	3	3	2	1	1	-	0	2
Other	1	0	-	-	-	-	-	-	-	-	0

Table 17A (Appendix 1)

Household characteristics of quintile groups of NON-RETIRED households, 2006/07

	Quintile groups of non-retired households ranked by equivalised disposable income					All households
	Bottom	2nd	3rd	4th	Top	
Average per household (number)						
People	2.9	2.9	2.7	2.6	2.2	2.7
<i>Adults</i>	<i>1.9</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>1.9</i>	<i>2.0</i>
<i>Men</i>	<i>0.9</i>	<i>1.0</i>	<i>1.0</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>
<i>Women</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>1.0</i>
<i>Children</i>	<i>1.0</i>	<i>0.9</i>	<i>0.7</i>	<i>0.5</i>	<i>0.4</i>	<i>0.7</i>
Economically active people	1.0	1.5	1.8	1.9	1.8	1.6
Retired people	0.1	0.1	0.1	0.1	0.0	0.1
People in full-time education	1.15	0.85	0.64	0.48	0.33	0.69
<i>In state primary schools</i>	<i>0.49</i>	<i>0.44</i>	<i>0.30</i>	<i>0.28</i>	<i>0.15</i>	<i>0.33</i>
<i>In state secondary schools</i>	<i>0.35</i>	<i>0.28</i>	<i>0.22</i>	<i>0.11</i>	<i>0.07</i>	<i>0.20</i>
<i>In further and higher education</i>	<i>0.27</i>	<i>0.11</i>	<i>0.08</i>	<i>0.06</i>	<i>0.04</i>	<i>0.11</i>
<i>In other educational establishments</i>	<i>0.04</i>	<i>0.03</i>	<i>0.02</i>	<i>0.04</i>	<i>0.08</i>	<i>0.04</i>
Composition (percentages)						
Household type						
Non-retired						
1 adult	21	18	18	19	24	20
<i>1 adult men</i>	<i>13</i>	<i>10</i>	<i>9</i>	<i>11</i>	<i>14</i>	<i>11</i>
<i>1 adult women</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>8</i>	<i>9</i>	<i>9</i>
2 adults	17	20	29	34	44	29
3 or more adults	10	11	14	15	9	12
1 adult with children	19	11	5	3	1	8
2 adults with 1 child	7	11	11	11	10	10
2 adults with 2 children	10	15	14	12	9	12
2 adults with 3 or more children	9	6	4	2	1	4
3 or more adults with children	8	8	5	3	2	5
Household tenure						
Rented	61	40	25	16	12	31
<i>Local authority rented</i>	<i>24</i>	<i>14</i>	<i>6</i>	<i>2</i>	<i>1</i>	<i>9</i>
<i>Housing association or RSL</i>	<i>15</i>	<i>9</i>	<i>4</i>	<i>1</i>	<i>0</i>	<i>6</i>
<i>Other rented unfurnished</i>	<i>10</i>	<i>9</i>	<i>8</i>	<i>6</i>	<i>5</i>	<i>7</i>
<i>Rented furnished</i>	<i>10</i>	<i>7</i>	<i>6</i>	<i>5</i>	<i>5</i>	<i>7</i>
<i>Rent free</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>
Owner occupied	39	60	75	84	88	69
<i>With mortgage</i>	<i>26</i>	<i>43</i>	<i>54</i>	<i>65</i>	<i>68</i>	<i>51</i>
<i>Rental purchase</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>
<i>Owned outright</i>	<i>13</i>	<i>17</i>	<i>20</i>	<i>18</i>	<i>20</i>	<i>17</i>
Age of chief economic supporter						
Under 25	10	5	5	3	1	5
Over 24 and under 35	19	18	17	20	24	19
Over 34 and under 45	28	30	29	28	27	28
Over 44 and under 55	24	22	23	28	26	25
Over 54 and under 65	16	20	21	18	19	19
Over 64 and under 75	1	3	3	2	2	3
Over 74	1	2	2	0	0	1
Employment status of chief economic supporter						
Self-employed	11	8	8	9	15	10
Full-time employee	19	57	73	82	79	62
Part-time employee	18	16	11	7	4	11
Unemployed	9	3	1	1	0	3
Unoccupied and under minimum NI age	41	14	5	2	0	12
Retired/unoccupied over minimum NI age	1	3	3	1	0	2
Other	0	-	-	-	-	0

Table 18 (Appendix 1)

Average incomes, taxes and benefits by decile groups of RETIRED households, 2006/07

	Decile groups of retired households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	9,671	11,421	13,047	14,478	15,916	17,563	19,933	23,494	29,691		
Number of households in the population ('000s)	651	653	652	654	649	653	654	655	651	654	6,526
Original income											
Wages and salaries	33	102	224	130	126	221	325	684	1,109	1,768	472
Imputed income from benefits in kind	-	-	-	-	-	-	17	6	-	21	4
Self-employment income	-	8	-	4	43	-	3	139	26	87	31
Occupational pensions, annuities	879	1,948	2,290	2,976	3,500	4,198	6,041	8,738	11,538	24,180	6,629
Investment income	449	381	455	373	296	639	775	1,366	2,550	10,594	1,788
Other income	59	1	38	73	128	66	73	216	65	27	75
Total	1,419	2,440	3,008	3,556	4,093	5,124	7,235	11,148	15,287	36,677	8,999
Direct benefits in cash											
Contributory											
Retirement pension	4,531	5,807	7,045	6,496	6,774	6,376	6,906	6,413	6,879	6,861	6,409
Job seeker's allowance (Contribution based)	-	41	-	29	14	8	-	2	-	-	10
Incapacity benefit	68	112	87	112	79	264	181	91	-	8	100
Widows' benefits	13	31	-	-	-	-	-	-	-	-	4
Statutory Maternity Pay/Allowance	-	-	-	-	-	-	-	-	-	-	-
Non-contributory											
Income support and pension credit	318	577	453	481	521	516	599	553	704	254	498
Child benefit	9	11	6	2	15	-	8	-	-	24	7
Housing benefit	108	74	301	671	937	1,005	923	692	553	62	532
Job seeker's allowance (Income based)	55	86	-	-	-	-	-	-	-	-	14
Carer's allowance	26	23	35	19	43	92	85	35	56	-	41
Attendance allowance	39	66	185	122	126	137	244	210	191	71	139
Disability living allowance	72	221	120	217	192	523	603	685	644	241	352
War pensions/War widows' pensions	9	-	-	95	47	56	122	52	104	136	62
Severe disablement allowance	-	18	29	14	-	131	96	120	35	88	53
Industrial injury disablement benefit	13	9	3	18	39	11	46	12	-	26	18
Student support	12	-	-	-	9	-	-	-	-	-	2
Government training schemes	1	0	-	-	-	-	-	-	-	-	0
Tax credits ¹	-	-	13	-	32	-	10	-	-	-	6
Other non-contributory benefits ²	340	383	253	312	249	291	322	323	312	241	303
Total cash benefits	5,613	7,458	8,529	8,588	9,079	9,410	10,145	9,188	9,477	8,011	8,550
Gross income	7,032	9,898	11,537	12,144	13,171	14,533	17,379	20,336	24,764	44,688	17,548
Direct taxes and Employees' NIC											
Income tax	219	265	334	412	497	742	1,126	1,597	2,510	6,775	1,448
less: Tax credits ³	3	3	4	3	3	2	2	2	6	10	4
Employees' NI contributions	5	7	14	7	3	8	16	39	75	152	33
Council tax and Northern Ireland rates ⁴	1,057	1,025	1,039	991	944	969	1,054	1,165	1,221	1,488	1,095
less: Council tax benefit/Rates rebates	168	313	306	286	295	301	241	199	170	47	233
Total	1,111	981	1,078	1,121	1,145	1,417	1,954	2,600	3,631	8,358	2,340
Disposable income	5,921	8,918	10,459	11,023	12,026	13,117	15,426	17,736	21,134	36,330	15,209
Equivalised disposable income	7,214	10,522	12,236	13,820	15,142	16,768	18,690	21,583	26,138	41,861	18,397
Indirect taxes											
Taxes on final goods and services											
VAT	870	909	1,037	897	1,074	1,072	1,180	1,434	1,860	2,805	1,314
Duty on tobacco	104	97	186	174	306	225	217	113	152	61	164
Duty on beer and cider	42	43	40	31	51	47	47	41	52	54	45
Duty on wines & spirits	60	62	64	73	94	85	92	102	135	179	95
Duty on hydrocarbon oils	159	159	208	165	174	198	214	262	297	452	229
Vehicle excise duty	78	69	86	73	71	59	89	99	123	205	95
Television licences	62	60	61	70	63	64	69	64	76	83	67
Stamp duty on house purchase	80	50	62	45	32	50	63	107	148	300	94
Customs duties	13	13	15	14	16	17	18	20	24	37	19
Betting taxes	21	26	38	61	49	58	25	27	36	54	40
Insurance premium tax	28	24	30	22	21	26	26	40	53	94	36
Air passenger duty	9	14	14	9	11	21	19	31	56	85	27
Camelot National Lottery Fund	42	53	67	54	64	56	44	38	46	37	50
Other	1	2	1	1	15	25	0	12	1	68	13
Intermediate taxes											
Commercial and industrial rates	123	124	143	131	151	159	165	187	223	345	175
Employers' NI contributions	217	218	251	230	267	280	291	329	392	607	308
Duty on hydrocarbon oils	74	75	86	79	91	96	100	112	134	208	105
Vehicle excise duty	6	6	7	7	8	8	8	9	11	17	9
Other	125	126	145	133	154	161	168	189	226	350	178
Total indirect taxes	2,114	2,131	2,540	2,268	2,711	2,708	2,837	3,218	4,046	6,042	3,062
Post-tax income	3,807	6,787	7,919	8,755	9,315	10,409	12,588	14,518	17,088	30,289	12,147
Benefits in kind											
Education	239	18	36	9	161	-	77	66	-	30	63
National health service	5,318	5,834	5,918	5,055	5,159	5,220	5,254	5,395	4,917	4,909	5,298
Housing subsidy	16	11	11	18	25	35	32	12	14	2	18
Rail travel subsidy	8	4	5	2	5	5	1	4	20	50	10
Bus travel subsidy	105	130	133	123	116	110	124	121	109	113	118
School meals and welfare milk	1	2	1	0	4	-	1	-	-	-	1
Total	5,686	6,000	6,103	5,206	5,470	5,370	5,487	5,598	5,061	5,104	5,509
Final income	9,493	12,786	14,022	13,962	14,785	15,779	18,076	20,116	22,149	35,393	17,656

Notes:

- 1 Child tax credit and working tax credit.
- 2 There were no age-related payments in 2006/07.
- 3 Including tax relief at source on life assurance premiums.
- 4 Council tax and Northern Ireland rates after deducting discounts.

Table 18A (Appendix 1)

Average incomes, taxes and benefits by quintile groups of RETIRED households, 2006/07

	Quintile groups of retired households ranked by equivalised disposable income					All households
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
<i>Quintile points (equivalised £)</i>	<i>11,421</i>	<i>14,478</i>	<i>17,563</i>	<i>23,494</i>		
Number of households in the population ('000s)	1,303	1,306	1,303	1,308	1,305	6,526
Original income						
Wages and salaries	67	177	174	504	1,438	472
Imputed income from benefits in kind	-	-	-	12	11	4
Self-employment income	4	2	22	71	57	31
Occupational pensions, annuities	1,414	2,633	3,849	7,390	17,859	6,629
Investment income	415	414	467	1,070	6,572	1,788
Other income	30	56	97	145	46	75
Total	1,930	3,282	4,608	9,191	25,982	8,999
Direct benefits in cash						
Contributory						
Retirement pension	5,169	6,771	6,575	6,660	6,870	6,409
Job seeker's allowance (Contribution based)	20	15	11	1	-	10
Incapacity benefit	90	100	171	136	4	100
Widows' benefits	22	-	-	-	-	4
Statutory Maternity Pay/Allowance	-	-	-	-	-	-
Non-contributory						
Income support and pension credit	448	467	519	576	479	498
Child benefit	10	4	8	4	12	7
Housing benefit	91	486	971	807	308	532
Job seeker's allowance (Income based)	70	-	-	-	-	14
Carer's allowance	24	27	68	60	28	41
Attendance allowance	52	153	132	227	131	139
Disability living allowance	147	168	357	644	442	352
War pensions/War widows' pensions	5	48	51	87	120	62
Severe disablement allowance	9	21	66	108	61	53
Industrial injury disablement benefit	11	11	25	29	13	18
Student support	6	-	5	-	-	2
Government training schemes	1	-	-	-	-	0
Tax credits ¹	-	7	16	5	-	6
Other non-contributory benefits ²	362	283	270	323	276	303
Total cash benefits	6,536	8,559	9,244	9,666	8,744	8,550
Gross income	8,465	11,840	13,852	18,858	34,726	17,548
Direct taxes and Employees' NIC						
Income tax	242	373	619	1,362	4,642	1,448
Less: Tax credits ³	3	3	2	2	8	4
Employees' NI contributions	6	11	6	27	114	33
Council tax and Northern Ireland rates ⁴	1,041	1,015	956	1,110	1,354	1,095
Less: Council tax benefit/Rates rebates	241	296	298	220	108	233
Total	1,046	1,100	1,281	2,277	5,994	2,340
Disposable income	7,419	10,741	12,571	16,581	28,732	15,209
<i>Equivalised disposable income</i>	<i>8,868</i>	<i>13,028</i>	<i>15,955</i>	<i>20,136</i>	<i>34,000</i>	<i>18,397</i>
Indirect taxes						
Taxes on final goods and services						
VAT	890	967	1,073	1,307	2,333	1,314
Duty on tobacco	101	180	265	165	106	164
Duty on beer and cider	43	36	49	44	53	45
Duty on wines & spirits	61	68	89	97	157	95
Duty on hydrocarbon oils	159	186	186	238	374	229
Vehicle excise duty	73	79	65	94	164	95
Television licences	61	66	63	67	79	67
Stamp duty on house purchase	65	53	41	85	224	94
Customs duties	13	15	17	19	31	19
Betting taxes	24	49	53	26	45	40
Insurance premium tax	26	26	23	33	74	36
Air passenger duty	11	12	16	25	70	27
Camelot National Lottery Fund	48	61	60	41	42	50
Other	1	1	20	6	35	13
Intermediate taxes						
Commercial and industrial rates	123	137	155	176	284	175
Employers' NI contributions	217	241	274	310	500	308
Duty on hydrocarbon oils	74	82	94	106	171	105
Vehicle excise duty	6	7	8	9	14	9
Other	125	139	158	179	288	178
Total indirect taxes	2,123	2,404	2,710	3,028	5,044	3,062
Post-tax income	5,297	8,337	9,862	13,553	23,688	12,147
Benefits in kind						
Education	128	22	81	71	15	63
National health service	5,576	5,486	5,190	5,324	4,913	5,298
Housing subsidy	13	14	30	22	8	18
Rail travel subsidy	6	3	5	2	35	10
Bus travel subsidy	118	128	113	122	111	118
School meals and welfare milk	2	1	2	0	-	1
Total	5,843	5,655	5,420	5,543	5,083	5,509
Final income	11,140	13,992	15,282	19,096	28,771	17,656

Notes:

- 1 Child tax credit and working tax credit.
- 2 There were no age-related payments in 2006/07.
- 3 Including tax relief at source on life assurance premiums.
- 4 Council tax and Northern Ireland rates after deducting discounts.

Table 19 (Appendix 1)

Household characteristics of decile groups of RETIRED households, 2006/07

	Decile groups of retired households ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	1.5	1.6	1.6	1.5	1.5	1.4	1.5	1.5	1.5	1.7	1.5
Adults	1.5	1.6	1.6	1.5	1.5	1.4	1.5	1.5	1.5	1.6	1.5
Men	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.8	0.6
Women	0.9	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Children	0.0	0.0	0.0	0.0	0.0	-	0.0	-	-	0.0	0.0
Economically active people	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Retired people	1.3	1.4	1.5	1.4	1.4	1.3	1.4	1.4	1.4	1.5	1.4
People in full-time education	0.04	0.01	0.01	0.00	0.02	-	0.01	0.01	-	0.03	0.01
Composition (percentages)											
Household type											
Retired											
1 adult	53	46	42	53	56	59	50	50	54	41	50
1 adult men	10	9	9	13	15	18	8	15	17	13	13
1 adult women	44	37	33	40	41	41	42	34	38	28	38
2 or more adults	47	54	58	47	44	41	50	50	46	59	50
Household tenure											
Rented	13	12	16	39	45	42	32	28	22	4	25
Local authority rented	8	4	8	19	31	13	18	14	10	1	13
Housing association or RSL	1	6	5	13	6	20	7	8	7	2	7
Other rented unfurnished	2	1	2	4	4	5	4	3	3	1	3
Rented furnished	-	-	-	1	1	1	1	1	0	-	1
Rent free	1	-	1	2	3	3	3	2	1	0	2
Owner occupied	87	88	84	61	55	58	68	72	78	96	75
With mortgage	6	7	5	4	5	3	4	5	7	6	5
Rental purchase	0	-	-	-	-	-	-	-	-	-	0
Owned outright	81	81	79	57	49	56	64	67	71	90	69
Age of chief economic supporter											
Under 25	-	-	-	-	-	-	-	-	-	-	-
Over 24 and under 35	-	-	-	-	-	-	-	-	-	-	-
Over 34 and under 45	-	-	-	-	-	-	0	-	-	-	0
Over 44 and under 55	5	1	1	1	-	1	1	-	2	1	1
Over 54 and under 65	16	12	5	10	6	12	9	16	13	20	12
Over 64 and under 75	32	37	42	47	48	39	48	35	46	43	42
Over 74	47	49	51	43	46	47	41	49	39	36	45
Employment status of chief economic supporter											
Self-employed	-	1	-	-	-	-	-	-	-	-	0
Full-time employee	-	-	-	-	-	-	-	-	1	0	0
Part-time employee	-	-	0	-	-	-	0	1	-	-	0
Unemployed	1	1	-	-	-	-	-	-	-	-	0
Unoccupied and under minimum NI age	14	7	5	4	3	6	6	11	7	16	8
Retired/unoccupied over minimum NI age	85	92	94	96	97	94	93	89	93	84	92

Table 19A (Appendix 1)

Household characteristics of quintile groups of RETIRED households, 2006/07

	Quintile groups of retired households ranked by equivalised disposable income					All households
	Bottom	2nd	3rd	4th	Top	
Average per household (number)						
People	1.6	1.5	1.5	1.5	1.6	1.5
<i>Adults</i>	<i>1.6</i>	<i>1.5</i>	<i>1.4</i>	<i>1.5</i>	<i>1.6</i>	<i>1.5</i>
<i>Men</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>0.6</i>
<i>Women</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>
<i>Children</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Economically active people	0.1	0.0	0.0	0.1	0.1	0.1
Retired people	1.4	1.5	1.4	1.4	1.5	1.4
People in full-time education	0.02	0.01	0.01	0.01	0.01	0.01
Composition (percentages)						
Household type						
Retired						
1 adult	50	48	57	50	48	50
<i>1 adult men</i>	<i>9</i>	<i>11</i>	<i>16</i>	<i>12</i>	<i>15</i>	<i>13</i>
<i>1 adult women</i>	<i>40</i>	<i>37</i>	<i>41</i>	<i>38</i>	<i>33</i>	<i>38</i>
2 or more adults	50	52	43	50	52	50
Household tenure						
Rented	12	28	44	30	13	25
<i>Local authority rented</i>	<i>6</i>	<i>13</i>	<i>22</i>	<i>16</i>	<i>6</i>	<i>13</i>
<i>Housing association or RSL</i>	<i>4</i>	<i>9</i>	<i>13</i>	<i>7</i>	<i>4</i>	<i>7</i>
<i>Other rented unfurnished</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>3</i>
<i>Rented furnished</i>	<i>-</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>
<i>Rent free</i>	<i>0</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>1</i>	<i>2</i>
Owner occupied	88	72	56	70	87	75
<i>With mortgage</i>	<i>7</i>	<i>4</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>5</i>
<i>Rental purchase</i>	<i>0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0</i>
<i>Owned outright</i>	<i>81</i>	<i>68</i>	<i>52</i>	<i>65</i>	<i>81</i>	<i>69</i>
Age of chief economic supporter						
Under 25	-	-	-	-	-	-
Over 24 and under 35	-	-	-	-	-	-
Over 34 and under 45	-	-	-	0	-	0
Over 44 and under 55	3	1	1	1	1	1
Over 54 and under 65	14	7	9	13	16	12
Over 64 and under 75	35	45	44	41	45	42
Over 74	48	47	46	45	38	45
Employment status of chief economic supporter						
Self-employed	0	-	-	-	-	0
Full-time employee	-	-	-	-	1	0
Part-time employee	-	0	-	0	-	0
Unemployed	1	-	-	-	-	0
Unoccupied and under minimum NI age	10	5	4	9	11	8
Retired/unoccupied over minimum NI age	88	95	96	91	88	92

Table 20 (Appendix 1)

Average incomes, taxes and benefits by decile groups of NON-RETIRED households WITHOUT CHILDREN, 2006/07

	Decile groups of non-retired households without children ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
<i>Decile points (equivalised £)</i>	<i>11,435</i>	<i>16,361</i>	<i>19,801</i>	<i>22,837</i>	<i>26,339</i>	<i>30,171</i>	<i>35,381</i>	<i>40,885</i>	<i>53,864</i>		
Number of households in the population ('000s)	1,103	1,109	1,106	1,107	1,107	1,108	1,108	1,106	1,105	1,111	11,070
Original income											
Wages and salaries	2,980	8,276	15,822	21,292	26,460	32,436	37,743	39,235	50,572	71,142	30,596
Imputed income from benefits in kind	42	13	114	60	95	202	330	505	996	1,547	390
Self-employment income	749	1,229	1,346	1,612	1,413	2,015	1,824	4,909	4,298	16,175	3,557
Occupational pensions, annuities	249	661	729	1,400	1,057	1,380	2,009	2,079	1,587	2,670	1,382
Investment income	260	212	409	354	587	451	880	1,184	1,416	3,735	949
Other income	252	200	229	18	124	38	311	180	135	149	164
Total	4,533	10,591	18,650	24,736	29,736	36,522	43,097	48,092	59,003	95,417	37,038
Direct benefits in cash											
Contributory											
Retirement pension	160	958	1,333	1,072	915	817	759	685	382	572	765
Job seeker's allowance (Contribution based)	75	55	10	17	1	6	5	-	-	-	17
Incapacity benefit	747	1,139	558	187	244	99	259	14	-	19	326
Widows' benefits	10	28	1	41	23	-	14	15	16	16	16
Statutory Maternity Pay/Allowance	-	-	-	-	2	-	-	-	-	-	0
Non-contributory											
Income support and pension credit	405	768	403	220	149	56	41	63	35	44	218
Child benefit	16	8	16	8	16	10	14	6	-	8	10
Housing benefit	917	946	402	159	130	23	71	27	21	-	270
Job seeker's allowance (Income based)	275	108	36	12	-	-	-	13	16	-	46
Carer's allowance	14	108	78	13	56	9	-	-	10	-	29
Attendance allowance	-	-	37	5	60	20	7	-	-	-	13
Disability living allowance	359	621	576	261	297	109	157	62	12	19	247
War pensions/War widows' pensions	-	3	-	4	56	45	34	14	28	-	19
Severe disablement allowance	20	65	27	56	61	61	8	33	28	-	36
Industrial injury disablement benefit	24	66	19	15	46	13	5	4	13	-	20
Student support	145	288	106	44	151	49	19	43	2	-	85
Government training schemes	4	12	15	1	6	0	1	-	3	-	4
Tax credits ¹	102	41	92	51	14	34	1	-	-	-	34
Other non-contributory benefits	32	79	85	96	79	42	34	28	249	27	75
Total cash benefits	3,303	5,293	3,792	2,262	2,303	1,393	1,429	1,007	813	706	2,230
Gross income	7,836	15,884	22,442	26,998	32,040	37,914	44,526	49,099	59,817	96,123	39,268
Direct taxes and Employees' NIC											
Income tax	330	1,108	2,208	3,541	4,074	5,346	6,372	7,569	10,173	19,420	6,014
Less: Tax credits ²	8	19	38	25	51	54	6	5	4	6	22
Employees' NI contributions	158	518	1,041	1,498	1,939	2,459	2,892	3,079	3,620	3,877	2,108
Council tax and Northern Ireland rates ³	839	897	947	1,003	1,010	1,048	1,091	1,150	1,197	1,325	1,051
Less: Council tax benefit/Rates rebates	316	258	113	52	56	22	10	8	7	15	86
Total	1,002	2,246	4,044	5,966	6,916	8,777	10,339	11,785	14,980	24,602	9,066
Disposable income	6,833	13,638	18,398	21,032	25,124	29,137	34,187	37,313	44,837	71,521	30,202
<i>Equivalised disposable income</i>	<i>7,483</i>	<i>13,865</i>	<i>18,183</i>	<i>21,268</i>	<i>24,508</i>	<i>28,255</i>	<i>32,614</i>	<i>37,915</i>	<i>46,520</i>	<i>80,987</i>	<i>31,160</i>
Indirect taxes											
Taxes on final goods and services											
VAT	1,084	1,430	1,580	1,762	1,993	2,265	2,692	2,646	3,268	3,712	2,243
Duty on tobacco	283	482	302	376	478	463	323	308	232	181	343
Duty on beer and cider	102	117	127	164	194	203	170	188	203	182	165
Duty on wines & spirits	103	95	150	165	144	216	232	246	237	282	187
Duty on hydrocarbon oils	273	309	379	444	488	662	662	607	662	701	519
Vehicle excise duty	72	99	118	144	149	170	173	178	185	192	148
Television licences	121	113	116	121	119	123	125	126	127	129	122
Stamp duty on house purchase	52	40	73	77	100	118	170	218	305	488	164
Customs duties	20	22	24	25	28	30	34	34	39	48	30
Betting taxes	23	36	37	38	33	53	61	30	34	35	38
Insurance premium tax	20	29	34	42	47	52	63	56	65	83	49
Air passenger duty	10	12	13	19	31	36	49	41	59	55	33
Camelot National Lottery Fund	41	60	72	77	62	62	71	48	57	38	59
Other	11	3	48	7	10	31	14	53	14	46	24
Intermediate taxes											
Commercial and industrial rates	184	199	218	229	256	274	317	312	357	439	278
Employers' NI contributions	323	350	384	404	452	482	558	550	629	774	491
Duty on hydrocarbon oils	111	120	131	138	155	165	191	188	215	265	168
Vehicle excise duty	9	10	11	12	13	14	16	16	18	22	14
Other	186	202	221	233	260	278	322	317	362	446	283
Total indirect taxes	3,030	3,727	4,038	4,479	5,013	5,696	6,245	6,161	7,068	8,118	5,357
Post-tax income	3,803	9,910	14,359	16,553	20,111	23,441	27,942	31,152	37,769	63,404	24,845
Benefits in kind											
Education	3,049	845	856	465	418	157	491	310	117	92	680
National health service	1,806	2,305	2,475	2,278	2,300	2,239	2,138	1,979	1,848	1,807	2,117
Housing subsidy	25	41	19	15	9	4	2	4	0	0	12
Rail travel subsidy	43	17	24	23	39	24	55	40	76	121	46
Bus travel subsidy	52	68	68	57	50	51	61	48	63	60	58
School meals and welfare milk	-	-	-	-	-	-	-	-	-	-	-
Total	4,975	3,275	3,442	2,839	2,815	2,475	2,748	2,381	2,103	2,079	2,913
Final income	8,778	13,186	17,802	19,392	22,926	25,916	30,690	33,533	39,872	65,483	27,758

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.

Table 21 (Appendix 1)

Average incomes, taxes and benefits by decile groups of NON-RETIRED households WITH CHILDREN, 2006/07

	Decile groups of non-retired households with children ranked by equivalised disposable income										All households
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
<i>Decile points (equivalised £)</i>	<i>10,286</i>	<i>12,558</i>	<i>14,851</i>	<i>17,110</i>	<i>19,637</i>	<i>22,708</i>	<i>26,460</i>	<i>31,686</i>	<i>40,927</i>		
Number of households in the population ('000s)	724	722	726	724	720	727	722	725	726	724	7,241
Original income											
Wages and salaries	3,616	7,048	13,908	19,574	22,612	28,721	34,635	42,487	51,251	93,068	31,692
Imputed income from benefits in kind	12	4	60	100	182	367	697	771	1,304	1,651	515
Self-employment income	1,171	1,165	1,259	1,262	2,849	2,949	4,531	4,410	7,411	22,477	4,948
Occupational pensions, annuities	-	114	150	45	268	301	274	542	428	403	252
Investment income	114	32	86	80	314	330	315	852	1,562	3,025	671
Other income	292	245	247	271	375	656	470	170	344	585	365
Total	5,205	8,608	15,708	21,332	26,599	33,324	40,922	49,230	62,299	121,208	38,444
Direct benefits in cash											
Contributory											
Retirement pension	106	-	70	61	162	105	76	-	102	58	74
Job seeker's allowance (Contribution based)	79	48	35	9	18	9	-	-	5	-	20
Incapacity benefit	418	221	344	311	167	161	107	34	23	-	179
Widows' benefits	-	39	28	137	49	-	63	-	-	-	32
Statutory Maternity Pay/Allowance	25	-	20	44	68	208	113	328	376	637	182
Non-contributory											
Income support and pension credit	1,508	2,138	1,227	562	204	146	97	-	8	-	589
Child benefit	1,563	1,322	1,523	1,330	1,378	1,365	1,278	1,253	1,215	1,137	1,336
Housing benefit	1,507	1,800	1,128	708	668	302	155	65	121	-	645
Job seeker's allowance (Income based)	199	160	40	10	48	16	-	-	-	-	47
Carer's allowance	74	64	201	108	28	26	56	70	10	-	64
Attendance allowance	-	-	-	-	-	-	-	-	-	-	-
Disability living allowance	209	202	392	295	311	368	229	166	55	-	223
War pensions/War widows' pensions	-	-	-	34	-	-	-	30	-	11	7
Severe disablement allowance	16	44	38	18	44	40	27	-	-	-	23
Industrial injury disablement benefit	-	24	3	-	16	7	10	-	-	-	6
Student support	138	217	136	183	83	147	57	14	73	10	106
Government training schemes	32	24	25	10	13	-	-	3	10	-	12
Tax credits ¹	1,588	1,902	1,923	1,785	1,281	868	363	212	42	153	1,012
Other non-contributory benefits	58	63	59	32	78	11	9	66	18	3	40
Total cash benefits	7,519	8,268	7,191	5,636	4,617	3,779	2,639	2,240	2,058	2,009	4,596
Gross income	12,724	16,875	22,900	26,968	31,216	37,103	43,561	51,470	64,357	123,217	43,039
Direct taxes and Employees' NIC											
Income tax	467	991	1,934	2,743	3,415	4,575	5,904	7,936	11,176	25,776	6,492
less: Tax credits ²	112	315	679	741	766	681	571	418	353	84	472
Employees' NI contributions	220	453	986	1,302	1,636	2,115	2,542	3,075	3,470	4,093	1,989
Council tax and Northern Ireland rates ³	971	927	1,001	1,065	1,045	1,123	1,223	1,280	1,371	1,559	1,156
less: Council tax benefit/Rates rebates	361	388	212	151	81	40	24	12	14	-	128
Total	1,185	1,669	3,030	4,217	5,250	7,092	9,074	11,861	15,651	31,345	9,037
Disposable income	11,539	15,207	19,870	22,751	25,966	30,011	34,487	39,609	48,706	91,873	34,002
<i>Equivalised disposable income</i>	<i>7,819</i>	<i>11,352</i>	<i>13,704</i>	<i>15,938</i>	<i>18,253</i>	<i>21,225</i>	<i>24,526</i>	<i>28,990</i>	<i>35,649</i>	<i>66,381</i>	<i>24,384</i>
Indirect taxes											
Taxes on final goods and services											
VAT	1,771	1,519	1,981	1,928	2,449	2,411	2,933	3,118	3,718	4,206	2,603
Duty on tobacco	350	476	449	526	642	311	352	253	208	206	377
Duty on beer and cider	65	86	79	95	126	133	129	161	169	131	117
Duty on wines & spirits	77	80	95	112	127	130	156	171	203	209	136
Duty on hydrocarbon oils	314	348	498	537	549	613	687	711	801	815	587
Vehicle excise duty	93	82	122	141	142	193	184	195	228	247	163
Television licences	129	127	130	130	179	128	131	131	130	128	134
Stamp duty on house purchase	82	42	97	84	122	169	197	276	345	680	209
Customs duties	27	26	29	29	34	33	37	40	50	60	36
Betting taxes	26	31	27	29	38	29	32	39	39	23	31
Insurance premium tax	27	30	33	45	50	57	56	61	77	90	52
Air passenger duty	6	33	14	26	30	28	35	28	75	39	31
Camelot National Lottery Fund	44	55	51	59	44	58	49	47	38	34	48
Other	16	13	5	2	15	7	29	10	34	22	15
Intermediate taxes											
Commercial and industrial rates	253	239	264	264	309	306	340	370	457	557	336
Employers' NI contributions	446	421	466	466	545	540	599	651	806	981	592
Duty on hydrocarbon oils	152	144	159	159	186	185	205	223	276	336	202
Vehicle excise duty	13	12	13	13	16	15	17	19	23	28	17
Other	257	242	268	268	314	311	345	375	464	565	341
Total indirect taxes	4,146	4,004	4,778	4,913	5,915	5,658	6,512	6,879	8,140	9,358	6,030
Post-tax income	7,393	11,203	15,092	17,838	20,051	24,353	27,974	32,730	40,566	82,515	27,972
Benefits in kind											
Education	9,124	6,408	6,733	6,061	6,018	6,056	5,647	4,929	4,583	3,504	5,906
National health service	3,888	3,379	4,010	4,196	3,664	3,904	3,500	3,830	4,135	4,112	3,862
Housing subsidy	57	83	18	16	17	26	3	6	1	1	23
Rail travel subsidy	22	10	22	28	31	30	57	51	76	93	42
Bus travel subsidy	63	55	27	79	56	44	55	40	31	54	50
School meals and welfare milk	216	230	138	77	78	29	18	22	10	8	83
Total	13,371	10,164	10,948	10,456	9,864	10,089	9,281	8,878	8,835	7,772	9,966
Final income	20,765	21,367	26,040	28,294	29,915	34,442	37,255	41,608	49,402	90,287	37,937

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.

Table 22 (Appendix 1)
Distribution of households¹ by household type, 2006/07

	Retired households				Non-Retired households		
	1 adult Men	1 adult Women	All 1 adult	2 or more adults	1 adult Men	1 adult Women	All 1 adult
Decile groups of households ranked by equivalised disposable income							
Number of households ('000s)							
Bottom	83	380	463	429	234	134	368
2nd	89	353	442	567	184	113	297
3rd	150	460	610	543	119	70	189
4th	160	438	598	425	159	125	284
5th	74	245	320	368	169	194	363
6th	85	223	307	254	193	214	407
7th	86	171	257	206	162	140	301
8th	43	106	148	199	219	161	380
9th	19	36	55	133	268	240	508
Top	36	56	91	110	350	191	541
All households in population ('000s)	824	2,467	3,291	3,234	2,056	1,582	3,638

	Non-Retired households						
	2 adults	3 or more adults	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children
Decile groups of households ranked by equivalised disposable income							
Number of households ('000s)							
Bottom	292	193	262	84	130	148	110
2nd	212	105	341	123	159	115	127
3rd	230	120	205	153	194	114	124
4th	262	125	169	169	234	81	136
5th	434	273	118	160	253	78	115
6th	510	263	102	208	246	88	100
7th	659	311	85	239	278	66	80
8th	752	294	82	222	258	71	75
9th	845	338	44	269	251	9	34
Top	1,064	149	33	219	173	42	64
All households in population ('000s)	5,260	2,172	1,441	1,847	2,176	812	965

Notes:

1 See Appendix 2 for definitions of retired households, adults and children.

Table 23 (Appendix 1)

Summary of the effects of taxes and benefits, by household type¹, 2006/07

	Retired households				Non-Retired households		
	1 adult Men	1 adult Women	All 1 adult	2 or more adults	1 adult Men	1 adult Women	All 1 adult
Average per household (£ per year)							
Original income	6,368	4,570	5,020	13,047	23,158	20,616	22,053
<i>plus</i> Cash benefits	7,165	7,434	7,367	9,753	2,073	2,136	2,100
Gross income	13,533	12,004	12,387	22,800	25,231	22,752	24,153
<i>less</i> Direct taxes and employees' NIC	1,611	1,353	1,417	3,278	5,900	5,229	5,608
Disposable income	11,923	10,652	10,970	19,522	19,331	17,523	18,545
<i>Equivalised disposable income</i>	<i>19,537</i>	<i>17,429</i>	<i>17,957</i>	<i>18,845</i>	<i>31,690</i>	<i>28,726</i>	<i>30,401</i>
<i>less</i> Indirect taxes	2,234	1,946	2,019	4,123	3,243	3,065	3,166
Post-tax income	9,688	8,705	8,951	15,400	16,088	14,458	15,379
<i>plus</i> Benefits in kind	4,028	4,590	4,449	6,586	1,230	1,247	1,238
Final income	13,717	13,295	13,401	21,986	17,318	15,705	16,617

	Non-Retired households						
	2 adults	3 or more adults	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children
Average per household (£ per year)							
Original income	42,649	48,549	11,698	43,084	48,056	41,866	30,080
<i>plus</i> Cash benefits	2,032	2,927	7,633	2,694	3,086	6,196	4,580
Gross income	44,681	51,476	19,331	45,778	51,141	48,062	34,661
<i>less</i> Direct taxes and employees' NIC	10,631	11,066	2,342	10,367	11,871	9,790	7,290
Disposable income	34,050	40,410	16,988	35,412	39,270	38,272	27,370
<i>Equivalised disposable income</i>	<i>33,806</i>	<i>26,020</i>	<i>17,066</i>	<i>29,257</i>	<i>27,203</i>	<i>21,959</i>	<i>25,831</i>
<i>less</i> Indirect taxes	5,969	7,548	3,463	5,926	6,806	6,351	4,950
Post-tax income	28,081	32,862	13,526	29,485	32,464	31,920	22,420
<i>plus</i> Benefits in kind	2,688	6,267	8,320	6,753	10,166	16,690	5,651
Final income	30,769	39,129	21,845	36,238	42,630	48,610	28,071

Notes:

1 See Appendix 2 for definitions of retired households, adults and children.

Table 24 (Appendix 1)

Average incomes, taxes and benefits by decile groups of ALL households (ranked by UNADJUSTED disposable income), 2006/07

	Decile groups of all households ranked by UNADJUSTED disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (£)	8,502	11,214	14,199	17,716	21,710	26,175	31,902	38,922	51,581		
Number of households in the population ('000s)	2,483	2,482	2,486	2,483	2,483	2,481	2,481	2,488	2,485	2,484	24,836
Original income											
Wages and salaries	778	2,004	4,381	7,192	12,677	20,141	26,681	34,510	45,796	75,843	23,000
Imputed income from benefits in kind	8	-	8	59	50	116	185	419	922	1,485	325
Self-employment income	339	330	462	588	1,097	1,617	2,350	2,908	4,835	15,834	3,036
Occupational pensions, annuities	743	1,382	1,782	2,817	3,249	2,337	3,187	2,743	2,374	3,698	2,431
Investment income	277	327	397	509	712	696	910	1,299	2,065	3,690	1,088
Other income	116	183	177	189	249	196	189	161	325	205	199
Total	2,262	4,227	7,207	11,354	18,034	25,104	33,502	42,041	56,317	100,755	30,080
Direct benefits in cash											
Contributory											
Retirement pension	2,384	3,354	3,487	3,348	2,495	1,654	1,296	1,093	714	643	2,047
Job seeker's allowance (Contribution based)	29	22	23	25	18	20	10	5	3	3	16
Incapacity benefit	296	297	287	322	375	215	143	171	108	23	224
Widows' benefits	16	12	22	29	28	43	9	6	7	6	18
Statutory Maternity Pay/Allowance	-	7	-	16	16	35	48	105	110	194	53
Non-contributory											
Income support and pension credit	444	822	909	601	481	330	136	147	98	29	400
Child benefit	108	187	234	354	417	517	534	564	543	503	396
Housing benefit	665	1,060	1,037	702	481	271	117	85	52	14	448
Job seeker's allowance (Income based)	125	53	59	61	21	24	3	22	7	4	38
Carer's allowance	5	26	47	70	76	44	65	49	42	-	42
Attendance allowance	37	34	87	88	74	47	27	25	-	5	42
Disability living allowance	145	289	395	448	371	283	234	262	213	35	268
War pensions/War widows' pensions	-	28	28	24	45	58	33	38	9	3	27
Severe disablement allowance	10	39	53	53	45	52	15	34	36	26	36
Industrial injury disablement benefit	6	17	26	31	17	13	29	13	3	-	15
Student support	36	40	11	74	67	170	99	121	23	49	69
Government training schemes	1	4	1	11	8	8	2	10	5	4	5
Tax credits ¹	106	230	362	723	576	482	338	143	113	40	311
Other non-contributory benefits ²	152	221	192	180	116	97	61	48	60	119	125
Total cash benefits	4,565	6,743	7,260	7,158	5,728	4,363	3,198	2,942	2,147	1,699	4,580
Gross income	6,826	10,970	14,466	18,512	23,762	29,467	36,701	44,982	58,464	102,455	34,661
Direct taxes and Employees' NIC											
Income tax	231	451	867	1,469	2,458	3,470	5,016	6,292	9,384	19,897	4,954
less: Tax credits ³	9	14	43	146	200	338	274	245	144	70	148
Employees' NI contributions	53	113	292	488	895	1,488	1,988	2,565	3,255	4,144	1,528
Council tax and Northern Ireland rates ⁴	883	869	946	980	1,048	1,062	1,156	1,206	1,298	1,484	1,093
less: Council tax benefit/Rates rebates	277	328	293	198	112	61	38	33	18	8	137
Total	882	1,091	1,769	2,594	4,089	5,620	7,847	9,786	13,775	25,447	7,290
Disposable income	5,944	9,879	12,697	15,919	19,673	23,847	28,853	35,196	44,689	77,007	27,370
Indirect taxes											
Taxes on final goods and services											
VAT	875	870	1,135	1,511	1,699	1,971	2,439	2,895	3,380	4,265	2,104
Duty on tobacco	158	209	252	368	297	378	438	325	376	257	306
Duty on beer and cider	52	46	58	102	90	128	158	179	183	200	120
Duty on wines & spirits	68	64	75	106	111	142	171	223	216	302	148
Duty on hydrocarbon oils	149	158	229	330	421	451	574	663	740	910	463
Vehicle excise duty	57	61	84	101	120	137	175	183	214	252	138
Television licences	86	86	99	102	124	118	123	123	125	127	111
Stamp duty on house purchase	64	40	56	69	93	117	156	197	300	497	159
Customs duties	15	15	18	23	24	27	32	37	43	56	29
Betting taxes	18	29	27	45	33	32	44	46	48	41	36
Insurance premium tax	20	19	25	34	40	44	57	62	70	96	47
Air passenger duty	9	11	8	34	29	22	32	37	48	79	31
Camelot National Lottery Fund	33	41	47	57	61	61	63	66	54	50	53
Other	5	7	4	38	8	10	19	17	42	33	18
Intermediate taxes											
Commercial and industrial rates	135	141	168	210	225	250	292	344	398	518	268
Employers' NI contributions	237	248	296	370	396	440	515	607	701	913	472
Duty on hydrocarbon oils	81	85	101	127	135	150	176	207	240	312	162
Vehicle excise duty	7	7	8	11	11	13	15	17	20	26	13
Other	137	143	171	213	228	253	296	349	404	526	272
Total indirect taxes	2,205	2,279	2,862	3,850	4,146	4,742	5,774	6,579	7,605	9,463	4,950
Post-tax income	3,739	7,600	9,836	12,068	15,526	19,105	23,080	28,617	37,084	67,545	22,420
Benefits in kind											
Education	1,160	960	1,150	1,860	2,391	2,591	2,656	2,799	2,582	2,267	2,042
National health service	3,212	3,690	3,752	3,898	3,654	3,402	3,147	3,394	3,223	3,245	3,462
Housing subsidy	39	30	30	21	14	12	7	5	5	2	17
Rail travel subsidy	16	7	12	15	15	24	36	62	62	105	36
Bus travel subsidy	67	75	83	77	79	80	56	75	58	67	72
School meals and welfare milk	8	29	46	43	35	30	21	13	15	5	24
Total	4,501	4,792	5,073	5,916	6,188	6,140	5,921	6,348	5,944	5,691	5,651
Final income	8,240	12,392	14,909	17,984	21,714	25,245	29,001	34,965	43,028	73,235	28,071

Notes:

- 1 Child tax credit and working tax credit.
- 2 There were no age-related payments in 2006/07.
- 3 Including tax relief at source on life assurance premiums.
- 4 Council tax and Northern Ireland rates after deducting discounts.

Table 25 (Appendix 1)

Cross-tabulation of households ranked by disposable income, unadjusted and equivalised, 2006/07

(i) Quintile groups		Quintile groups of equivalised disposable income					All households	
		Bottom	2nd	3rd	4th	Top		
Number of households in the population ('000s)								
Quintile groups of unadjusted disposable income								
Bottom		3,146	1,717	102	-	-		4,965
2nd		1,366	1,641	1,350	612	-		4,969
3rd		416	1,201	1,970	896	482		4,965
4th		39	370	1,354	2,281	925		4,969
Top		-	35	193	1,176	3,565		4,969
All households		4,967	4,965	4,968	4,965	4,972		24,836

(ii) Decile groups		Decile groups of equivalised disposable income									All households	
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Number of households in the population ('000s)												
Decile groups of unadjusted disposable income												
Bottom		1,458	753	272	-	-	-	-	-	-	-	2,483
2nd		551	384	565	880	102	-	-	-	-	-	2,482
3rd		206	714	426	50	578	511	-	-	-	-	2,486
4th		154	292	576	589	46	215	562	50	-	-	2,483
5th		75	204	337	315	810	220	16	479	28	-	2,483
6th		29	109	182	367	253	687	365	36	454	-	2,481
7th		5	18	100	185	423	305	615	566	94	170	2,481
8th		-	16	21	64	224	402	531	569	482	179	2,488
9th		-	-	3	25	38	138	343	535	850	552	2,485
Top		-	-	-	7	10	6	51	246	578	1,586	2,484
All households		2,479	2,488	2,482	2,483	2,482	2,486	2,483	2,481	2,486	2,486	24,836

Table 26 (Appendix 1)

Percentage shares of equivalised total original, gross, disposable and post-tax incomes by quintile groups for ALL households¹, 1984 to 2006/07²

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1993/94	1994/95
Original income												
Bottom	3	2	3	2	2	2	2	2	2	2	2	2
2nd	7	7	7	7	7	7	7	7	6	6	6	6
3rd	17	17	16	16	16	16	15	16	15	15	14	15
4th	26	27	26	25	26	26	25	26	26	25	25	25
Top	47	47	49	50	50	49	51	50	50	52	52	51
All households	100	100	100	100	100	100	100	100	100	100	100	100
Gross income												
Bottom	9	8	8	7	7	7	7	7	7	7	7	7
2nd	12	12	11	11	11	11	10	10	11	11	11	11
3rd	17	17	16	16	16	16	16	16	16	16	16	16
4th	23	24	23	23	23	23	23	23	23	23	23	23
Top	39	40	41	43	43	42	44	44	43	44	44	43
All households	100	100	100	100	100	100	100	100	100	100	100	100
Disposable income												
Bottom	10	9	9	8	8	8	7	7	7	8	8	8
2nd	13	13	12	12	11	12	11	11	11	12	12	12
3rd	17	17	17	16	16	17	16	16	16	16	16	16
4th	23	23	23	23	23	23	23	23	23	23	23	23
Top	37	38	40	41	42	41	43	42	42	42	42	41
All households	100	100	100	100	100	100	100	100	100	100	100	100
Post-tax income												
Bottom	9	9	8	8	7	7	6	7	7	7	7	7
2nd	13	13	12	12	11	11	10	11	11	11	11	11
3rd	17	17	16	16	16	16	15	16	16	16	16	16
4th	22	23	22	22	22	23	23	23	23	22	22	22
Top	38	39	41	43	44	43	45	44	44	44	44	43
All households	100	100	100	100	100	100	100	100	100	100	100	100

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Original income												
Bottom	3	2	2	3	2	2	3	3	3	3	3	3
2nd	7	7	7	7	7	7	7	7	7	8	7	7
3rd	15	15	15	15	15	15	14	15	15	15	15	15
4th	25	25	25	25	25	25	24	25	24	24	24	24
Top	50	51	51	52	52	50	52	50	51	50	51	51
All households	100	100	100	100	100	100	100	100	100	100	100	100
Gross income												
Bottom	7	7	7	7	7	6	6	7	7	7	7	7
2nd	11	11	11	11	11	11	11	11	11	11	11	11
3rd	16	16	16	16	16	16	15	16	16	16	16	16
4th	23	23	23	23	23	23	22	23	22	23	23	23
Top	43	44	44	44	44	44	45	43	44	43	44	44
All households	100	100	100	100	100	100	100	100	100	100	100	100
Disposable income												
Bottom	8	8	8	7	7	7	7	8	8	8	8	7
2nd	12	12	12	12	12	12	12	12	12	13	12	12
3rd	17	16	16	16	16	16	16	17	17	17	16	16
4th	23	23	23	23	23	23	22	23	22	22	22	22
Top	40	42	42	42	42	42	43	41	42	41	41	42
All households	100	100	100	100	100	100	100	100	100	100	100	100
Post-tax income												
Bottom	7	7	7	6	6	6	6	6	7	7	7	6
2nd	12	11	11	11	11	11	11	12	12	12	12	11
3rd	16	16	16	16	16	16	15	16	16	16	16	16
4th	23	22	22	22	22	22	22	23	22	22	22	22
Top	43	44	44	45	45	44	46	43	44	43	43	44
All households	100	100	100	100	100	100	100	100	100	100	100	100

Notes:

1 Ranked by equivalised disposable income.

2 From 1990 this includes company car benefit and beneficial house purchase loans from employers. From 1996–97 values are based on estimates for the sample grossed up to population totals.

Table 27 (Appendix 1)

Gini coefficients for the distribution of income at each stage of the tax-benefit system and P90/P10 and P75/P25¹ ratios for disposable income for all households, 1980 to 2006/07²

	Gini coefficients (per cent)				Ratios for disposable income	
	Equivalised income				P90/P10	P75/P25
	Original	Gross	Disposable	Post-tax		
1980	44	31	28	30	3.5	2.0
1981	46	31	28	31	3.4	2.0
1982	47	31	28	31	3.3	2.0
1983	48	32	28	31	3.3	1.9
1984	49	31	28	30	3.3	2.0
1985	49	32	29	32	3.5	2.1
1986	50	34	31	35	3.7	2.1
1987	51	36	33	36	4.1	2.2
1988	51	37	35	38	4.4	2.4
1989	50	36	34	37	4.5	2.4
1990	52	38	36	40	4.9	2.5
1991	51	37	35	39	4.8	2.5
1992	52	37	34	38	4.6	2.4
1993	53	38	35	38	4.5	2.3
1993/94	54	37	34	38	4.5	2.3
1994/95	53	37	33	37	4.5	2.3
1995/96	52	36	33	37	4.2	2.2
1996/97	53	37	34	38	4.4	2.3
1997/98	53	37	34	38	4.5	2.3
1998/99	53	38	35	39	4.5	2.3
1999/00	53	38	35	40	4.6	2.4
2000/01	51	38	35	39	4.5	2.3
2001/02	53	39	36	40	4.5	2.3
2002/03	51	37	33	37	4.3	2.2
2003/04	52	37	34	38	4.1	2.1
2004/05	51	36	32	36	4.1	2.1
2005/06	52	37	34	37	4.2	2.1
2006/07	52	38	34	39	4.4	2.2

Notes:

1 P90/P10 is the ratio of the income at the 90th percentile to the 10th; P75/P25 is the ratio of the income at the 75th percentile to the 25th.

2 From 1990 this includes company car benefit and beneficial house purchase loans from employers. From 1996–97 values are based on estimates for the sample grossed to population totals.

Appendix 2

Methodology and Definitions

The allocation of government expenditure and its financing

1. There are considerable difficulties in moving from the aggregates of government expenditure and financing published in the United Kingdom National Accounts – the ONS *Blue Book* – to apportioning taxes and benefits to individual households. We can obtain information about the types of household that receive cash benefits and pay direct taxes through surveys such as the Expenditure and Food Survey (EFS). From the replies respondents give to questions on their expenditure, we can impute their payments of indirect taxes, and from information they supply about such factors as their ages and number of children in the household, we can estimate the average costs of providing them with social services, such as health and education. But there are other kinds of financing, such as corporation tax and government receipts from public corporations: no attempt is made in this analysis to apportion them to households because it would be too difficult. Similarly, there are other items of government expenditure, such as capital expenditure and expenditure on defence and on the maintenance of law and order, for which there is no clear conceptual basis for allocation, or for which we do not have sufficient information to make an allocation.

Expenditure and Food Survey (EFS)

2. The estimates in this analysis are based mainly on data derived from the EFS, which replaced the Family Expenditure Survey (FES) from 2001/02. The EFS is an annual survey of the expenditure and income of private households. People living in hotels, lodging houses, and in institutions such as old peoples' homes are excluded. Each person aged 16 and over keeps a full record of payments made during 14 consecutive days and answers questions about hire purchase and other payments; children aged 7 to 15 keep a simplified diary. The respondents also give detailed information,

where appropriate, about income (including cash benefits received from the state) and payments of income tax. Information on age, occupation, education received, family composition and housing tenure is also obtained. The survey covers the whole 12-month period.

3. *Family Spending 2007*, published on the National Statistics website in January 2008, shows detailed results on expenditure and income from the 2006 survey, and how they vary with household characteristics. The report also includes an outline of the survey design.

4. The number of households in Great Britain responding to the EFS in 2006 was 6,058 (about 1 in every 4,000 households). The response rate was 55 per cent. An additional sample of 586 households covers Northern Ireland. To count as a co-operating household, all members aged 16 and over must fill in the diaries for both weeks and give full details of income. The available evidence suggests that households containing a couple with non-dependent children, those where the head is self-employed, and those where the head was born outside the United Kingdom, are less likely to co-operate than others (see *A comparison of the Census characteristics of respondents and non-respondents to the 1991 Family Expenditure Survey* by Kate Foster, *Survey Methodology Bulletin*, ONS, No 38, Jan 1996). In addition, response in Greater London is noticeably lower than in other areas.

5. The results in the analysis are grossed up so that totals reflect the total population in private households in the United Kingdom (that is excluding those in institutions such as residential homes for the elderly). Households were assigned different initial weights based on the non-response in the 1991 FES. These weights were derived from Census-linked data (see 'Weighting the FES in Great Britain to compensate for non-response: an investigation using

Census-linked data' by Kate Foster). The final household weights were produced using specialised software developed by INSEE, the French national statistics institute. The control variables used in the grossing system were the number of individuals by age (in five-year bands) and sex; and the number of individuals by region. This non-response weighting will be updated next year using data from the 2001 EFS and Census.

6. The EFS is designed primarily as a survey of expenditure on goods and services by households. It has been developed to gather information about the income of household members, and is an important and detailed source of income data. However, no information is collected that would enable a balance sheet of income and expenditure to be drawn up for a household over any particular period. Much expenditure relates to the two-week period after the interview, whereas many income components refer to a much longer period (for example, investment income over the previous 12 months). EFS income does not include proceeds from the sale of assets (for example, a car) or windfalls such as inheritances. But recorded expenditure might reflect these items, as well as the effects of living off savings, using capital or borrowing money. Hence, there is no reason why income and expenditure should balance either for an individual household or even averaged over a group of households. Indeed, for many households in the bottom part of the income distribution, measured expenditure exceeds measured income. Moreover, the difference between income and expenditure is not necessarily a measure of savings or dis-savings.

Unit of analysis

7. The basic unit of analysis used is the household, and not the family, individual or benefit unit. A household is defined in terms of the harmonised definition as used in the Census and nearly all other government household surveys since 1981.

This is one person, or a group of persons, who have the accommodation as their only or main residence and (for a group) share the living accommodation, that is a living or sitting room, or share meals together or have common housekeeping. Up until 1999–2000, the definition was based on the pre-1981 Census definition and required members to share eating and budgeting arrangements as well as shared living accommodation. The definition of a household comprised people who lived at the same address and who shared common catering for at least one meal a day. The effect of the change was fairly small, but not negligible. Spending on many items, particularly on food, housing, fuel and light, is largely joint spending by the members of the household. Without further information or assumptions it is difficult to apportion indirect taxes between individuals or other sub-divisions of households.

8. In classifying the households into various types, a **child** (that is, a dependent) is defined as:

- either aged under 16;
- or aged 16, 17 or 18 not married, and receiving full-time non-advanced further education.

Most of the 'extra' adults in households with at least three adults are sons or daughters of the head of household rather than retired people.

9. A **retired household** is defined as one where the combined income of retired members amounts to at least half the total gross income of the household, where a retired person is defined as anyone who describes themselves as 'retired' or anyone over minimum NI pension age describing themselves as 'unoccupied' or 'sick or injured but not intending to seek work'.

10. By no means all retired people are in retired households: about one in five households comprising three or more adults contains retired people, for example, and households comprising one retired and one non-retired adult are often classified as non-retired.

11. The sample households have been classified according to their compositions at the time of the interview. This classification is sensible for the vast majority of households, but it can be misleading for the very small number of cases where a spouse is absent from the household at

the time of interview. The absent spouse may well be working away from home, or living separately – but contributing financially to the household's upkeep. These contributions would be picked up as part of the household's original income. Also, it is likely that some households will have changed their composition during the year.

12. Economically active people comprise persons aged 16 or over who, at the time of interview, were:

- employees at work
- employees temporarily away from work through illness, temporary lay-off, industrial action, etc
- on government training schemes
- self-employed
- not in employment but who had sought work within the last four weeks, or were waiting to start a job already obtained

Income: redistributive stages

13. Stage one:

Original income *plus* cash benefits =
Gross income.

Stage two:

Gross income *minus* income tax, employees' National Insurance contributions and Council tax and Northern Ireland rates (see paragraph 24 below) = Disposable income.

Stage three:

Disposable income *minus* indirect taxes =
Post-tax income.

Stage four:

Post-tax income *plus* 'benefits in kind' =
Final income.

14. The starting point of the analysis is **original income**. This is the annualised income in cash of all members of the household before the deduction of taxes or the addition of any state benefits. It includes income from employment, self-employment, investment income, occupational pensions and annuities. The term 'annualised' rather than 'annual' is used advisedly. For instance, annualised income from a respondent's 'main job' is not current wage or salary multiplied up to an annual value; nor is it the sum of income from this source in the twelve month period prior to interview. Rather it is an estimate of such income expressed at an annual rate based on the respondent's assessment of

his 'normal' wage or salary subject to his current employment status.

15. Furthermore, to avoid double counting and to make it consistent with the estimate of income from cash benefits (see paragraph 20), this annualised estimate has to be 'abated' for the number of weeks likely to be lost due to unemployment, sickness, etc. This figure is taken as the number of weeks so lost in the 12 months prior to interview. It should be noted that regardless of whether the respondent is currently working or unemployed the treatment is essentially the same, that is, normal gross wage or salary expressed at an annual rate abated as required.

16. In all of this, the crucial determining role of current employment status should also be noted. Thus, no employment income would be assigned to a respondent whose employment status had recently become retired or unoccupied even though he or she may have worked for most of the twelve months prior to interview.

17. About 98 per cent of original income comes from earnings, occupational pensions (including annuities) and investment income. The tiny bit remaining comes from a variety of sources: trade union benefits, income of children under 16, private scholarships, earnings as a mail order agent or baby-sitter, regular allowance from a non-spouse, allowance from an absent spouse and the imputed value of rent-free accommodation. Households living in rent-free dwellings are each assigned an imputed income (although this is counted as employment income if the tenancy depends on the job).

18. In addition to salary, many employees receive as part of their income fringe benefits such as company cars, private medical insurance and beneficial loans. The company car benefit, together with the benefit from fuel for personal use, has been included in the analysis since 1990. This is by far the most important fringe benefit accounting for around 60 per cent of total taxable benefits according to HM Revenue & Customs' (HMRC) statistics. The imputed income allocated to households is the taxable value of the benefit in accordance with HMRC rules. Although, for those earning below £8,500 per year the benefit is not taxable, here the benefit has been allocated to all those with a company car regardless of the level of earnings. Information collected about

company cars in the EFS is used to impute the benefit.

19. The benefit of subsidised loans from employers for house purchase has been allocated, since the 1992 analysis. The benefit is taken to be the difference between the interest payments on such loans as reported in the EFS and the interest payments that would have been payable at the ruling market rate of interest.

20. The next stage of the analysis is to add cash benefits and tax credits to original income to obtain **gross income**. This is slightly different from the 'gross normal weekly income' used in the EFS report. Cash benefits and tax credits include:

Contributory:

Retirement pension, part of job seeker's allowance, incapacity benefit, widows' benefits, and statutory maternity pay.

Non-contributory:

Income support, part of job seeker's allowance, child benefit, housing benefit (council tax benefit and rates rebates are treated as deductions from Council tax and Northern Ireland rates), carer's allowance, attendance allowance, disability living allowance, war pensions, severe disablement allowance, industrial injury disablement benefits, child tax credit and working tax credit, pension credit, over 80 pension, Christmas bonus for pensioners, government training scheme allowances, student support, and winter fuel payments.

21. Statutory maternity pay is classified as a cash benefit even though it is paid through the employer. From 2005/06 student support included the new educational maintenance allowance as well as other education grants. Winter fuel payments are included within the category 'other non-contributory benefits'. Age-related payments made in 2005/06 were not continued.

22. Child tax credit (CTC) and working tax credit (WTC) are more complicated. They are classified as negative income tax, but only to the extent that income tax *less* tax credits, remains greater than or equal to zero for each family. So for households paying relatively little or no income tax, tax credit payments are regarded either partially or wholly, as cash benefits.

23. Income from short-term benefits is taken as the product of the last weekly

payment and the number of weeks the benefit was received in the 12 months prior to interview. Income from long-term benefits, and from housing benefits, is based on current rates.

24. Income tax, Council tax and Northern Ireland rates, and employees' and self-employed National Insurance contributions are then deducted to give **disposable income**. Taxes on capital, such as capital gains tax and inheritance tax, are not included in these deductions because there is no clear conceptual basis for doing so, and the relevant data are not available from the EFS.

25. Income tax is shown after the deduction of those tax credit payments which are regarded as negative income tax.

26. The figures for Council tax and Northern Ireland rates include Council tax (for households in Great Britain), and domestic rates (for households in Northern Ireland). Council tax is shown after discounts to reduce or remove the personal element of the tax (for example, the discount of 25 per cent for single person households). All Council tax and Northern Ireland rates are shown after the deduction of council tax benefit and rate rebates. This is in line with National Accounts which treats such rebates as revenue foregone. Up to, and including, 1995/96 these rebates were included as part of housing benefits.

27. Up until 2001/02 the figures for local taxes included Council tax, Northern Ireland rates and charges made by water authorities for water, environmental and sewerage services. From 2002/03, charges made by water authorities were treated as charges for a service rather than a tax, so the figures for Council tax and Northern Ireland rates from 2002/03 onwards are not strictly comparable with those for local taxes up to 2001/02.

28. The tax estimates are based on the amount deducted from the last payments of employment income and pensions, and on the amount paid in the last 12 months in respect of income from self-employment, interest, dividends and rent. The income tax payments recorded will therefore take account of a household's tax allowances, with the exception of tax credits and life assurance premium relief. Where households are eligible for either of these reliefs deductions are made from recorded income tax payments.

29. The next step is to deduct indirect taxes to give **post-tax income**. Indirect tax on final consumer goods and services include:

- Duties on alcoholic drinks, tobacco, petrol, oil, betting, etc
- Value Added Tax (VAT)
- Customs (import) duties
- Motor vehicle duties
- Air passenger duty
- Insurance premium tax
- Driving licenses
- Television licenses
- Stamp duties
- Camelot: payments to National Lottery Distribution Fund

30. Taxes levied on final goods and services are assumed to be fully incident on the consumer, and can be imputed from a household's EFS expenditure record. For example, the amount of VAT that is paid by the household is calculated from the household's total expenditure on goods and services subject to VAT.

31. VAT affects the prices of second-hand cars and is therefore assumed to be incident on the purchasers of such cars as well as on the purchasers of new cars. In allocating taxes, expenditures recorded in the EFS on alcoholic drink, tobacco, ice cream, soft drinks and confectionery are grossed up to allow for the known under-recording of these items in the sample. The true expenditure in each case is assumed to be proportional to the recorded expenditure. This approach has its drawbacks because there is some evidence to suggest that heavy drinkers, for example, are under-represented in the EFS.

32. The incidence of stamp duty on house purchase on an owner-occupying household has been taken as the product of the hypothetical duty payable on buying their current dwelling (estimated from valuations given in the EFS) and the probability of a household of that type moving in a given year (estimated from the General Household Survey).

33. Indirect taxes on intermediate goods and services include:

- Rates on commercial and industrial property
- Motor vehicle duties
- Duties on hydrocarbon oils
- Employers' contributions to National Insurance, the National Health Service,

the industrial injuries fund and the redundancy payments scheme

- Customs (import) duties
- Stamp duties
- VAT
- Independent Commission franchise payments
- Landfill tax
- Consumer Credit Act fees

34. These are taxes that fall on goods and services purchased by industry. Only the elements attributable to the production of subsequent goods and services for final consumption by the UK personal sector are allocated in the analysis, being assumed to be fully shifted to the consumer. Their allocations between different categories of consumers' expenditure are based on the relation between intermediate production and final consumption using estimated input-output techniques. This process is not an exact science, and many assumptions have to be made. Some analyses, for example, that by Dilnot, Kay and Keen *Allocating Taxes to Households: A Methodology*, suggest that the taxes could be progressive rather than regressive if one were to use different incidence assumptions.

35. For Tables 3 and 9 of the main analysis, we have constructed a measure of expenditure on goods and services from data from the EFS. Indirect taxes are shown as a proportion both of disposable income and of expenditure. One drawback of comparing the incidence of indirect taxes on households at different levels of income is that, by whatever measure used, on average, recorded expenditure exceeds income apparently available for it by significant amounts at the bottom of the distribution. Thus, it has been argued that for many households, where, for instance, income fluctuates widely or where it is difficult to measure accurately, a measure based on regular household outgoings would be a far better indicator of resources available to the household and therefore give a better picture of the incidence of indirect taxes.

36. This measure of expenditure has been customised to be analogous to the definition of disposable income used in the analysis in order to facilitate these comparisons. For instance, because the imputed benefit of company cars and beneficial loans will have boosted the figure for disposable income these items have had to be added to this expenditure measure. Expenditure on alcohol, tobacco and confectionery have

been grossed up for under-recording in line with the treatment of the indirect taxes on these items. Payments deemed to be made out of income such as superannuation, regular savings, mortgage repayments, etc. have been included and adjusted where necessary but not items such as lump sum capital payments in line with the exclusion of capital gains and windfalls from income.

37. Finally, we add those notional benefits in kind provided to households by government for which there is a reasonable basis for allocation to households, to obtain **final income**. The benefits in kind allocated are:

- State education
- School meals and welfare milk
- National Health Service
- Housing subsidy
- Railway travel subsidy
- Bus travel subsidy (including concessionary fares schemes)

38. Education benefit is estimated from information provided by the Department for Education and Skills of the cost per pupil or student in special schools, primary and secondary schools, universities, and other further education establishments. The value of the benefits attributed to a household depends on the number of people in the household recorded in the EFS as receiving each kind of state education (students away from the household are excluded). No benefit is allocated for pupils attending private schools.

39. The value of school meals and other welfare foods is based on their costs to the public authorities.

40. Data are available on the average cost to the Exchequer of providing the various types of health care – hospital inpatient/outpatient care, GP consultations, dental services, etc. Each individual in the EFS is allocated a benefit from the National Health Service according to the estimated average use made of these various types of health service by people of the same age and sex, and according to the total cost of providing those services. The benefit from maternity services is assigned separately to those households containing children under the age of 12 months. No allowance is made for the use of private health care services.

41. In this analysis, public sector tenants are defined to include the tenants of local authorities, Scottish Homes, Northern

Ireland Housing Executive (NIHE), housing associations and Registered Social Landlords. The total housing subsidy includes the contribution from central government to the housing revenue accounts of local authorities, and grants paid to Scottish Homes, the NIHE, housing associations and Registered Social Landlords. Within Greater London, the rest of England, Wales, Scotland and Northern Ireland each public sector tenant has been allocated a share of the region's total relevant subsidy based on the Council Tax band of the dwelling. Housing subsidy does not include, rent rebates and allowances or local tax rebates.

42. The rail travel subsidies allocated are the support payments made to the train operating companies. The subsidy to London and South East services is allocated to households living in the area and subsidies to other services to households living outside the South East, in proportion to households' expenditure on rail fares as recorded in the EFS. In making these allocations, allowances are made for the use of rail travel by the business sector, tourists and the institutional part of the personal sector.

43. In this analysis, bus travel subsidy covers both the cost of concessionary travel schemes for senior citizens and others, and subsidies to operators. Separate allocations are made for Greater London, the other metropolitan areas and the rest of the United Kingdom. The subsidy is divided between households according to recorded expenditure on bus travel and the types of concessionary passes held.

44. We must emphasise that the analysis provides only a rough guide to the kinds of household which benefit from government expenditure, and by how much, and to those which finance it. Apart from the fact that large parts of expenditure and receipts are not allocated, the criteria used both to allocate taxes and to value and apportion benefits to individual households could be regarded as too simplistic.

45. For example, the lack of data forces us to assume that the incidence of direct taxes falls on the individual from whose income the tax is deducted. This implies that the benefit of tax relief for a life assurance premium, for example, accrues directly to the taxpayer rather than to some other party, for instance, the seller of the policy. It also implies that the working population

is not able to pass the cost of the direct tax back to employers through lower profits, or to consumers through higher prices.

46. In allocating indirect taxes we assume that the part of the tax falling on consumers' expenditure is borne by the households which buy the item or the service taxed, whereas in reality the incidence of the tax is spread by pricing policies and probably falls in varying proportions on the producers of a good or service, on their employees, on the buyer, and on the producers and consumers of other goods and services.

47. Another example is that we know only an estimate of the total financial cost of providing benefits such as education, and so we have to treat that cost as if it measured the benefit which accrues to recipients of the service. In fact, the value the recipients themselves place on the service may be very different to the cost of providing it. Moreover, there may be households in the community, other than the immediate beneficiaries, who receive a benefit indirectly from the general provision of the service.

Equivalence scale

48. The equivalence scale used in this analysis is the *McClements scale* (before housing costs are deducted). The scales (separate ones for before and after housing costs) were developed by Dr L D McClements at the Department of Health and Social Security (DHSS) in the mid-seventies, based on expenditure data from the 1971 and 1972 FES. They were based on the assumption that it is possible to estimate equivalence scales from people's spending behaviour as recorded in the EFS without making any specific assumption about the criteria for equivalence. These scales are in regular use and an analysis by Banks and Johnson (*Children and Household Living Standards*, IFS, 1993) suggests that the scales are as valid as when they were developed. The scales are regarded as plausible and they are well within the range of equivalence scales developed at different times in a number of countries. Hence, their use is fully justified for broad statistical standardisation.

49. The equivalence values are given below:

Type of household member	Equivalence value
Married head of household (that is, a married or cohabiting couple)	1.00

1st additional adult	0.42
2nd (or more) additional adult	0.36 (per adult)

Single head of household (adult)

1st additional adult	0.61
2nd additional adult	0.46
3rd (or more) additional adult	0.42
adult	0.36 (per adult)

Child aged:

16–18	0.36
13–15	0.27
11–12	0.25
8–10	0.23
5–7	0.21
2–4	0.18
Under 2	0.09

50. The values for each household member are added together to give the total equivalence number for that household. This number is then divided into the disposable income for that household to give **equivalised disposable income**. For example, a household has a married couple with two children (aged six and nine) plus one adult lodger. The household's equivalence number is $1.0 + 0.21 + 0.23 + 0.42 = 1.86$. The household's disposable income is £20,000, and so its equivalised disposable income is £10,753 ($=£20,000/1.86$).

51. This quantity is used to produce the single ranking used in all the tables in this analysis (apart from the Gini coefficients which have to be ranked afresh for each different definition of income).

52. It is important to note that most monetary values shown in the analysis are ordinary (that is, un-equivalised) £ per year, not equivalised £ per year. Where equivalised values do appear (for example, the quintile points in Table 16A of Appendix 1), they are shown in *italics*.

Gini coefficient

53. The Gini coefficient is the most widely used summary measure of the degree of inequality in an income distribution. It can more easily be understood by considering a Lorenz curve of the income distribution, (see **Diagram 2**) that is, a graph of the cumulative income share against the cumulative share of households. The curve representing complete equality of income is thus a diagonal line while complete inequality (with only one recipient

Diagram 2
Lorenz curve for a typical income distribution

of income) is represented by a curve comprising the horizontal axis and the right-hand vertical axis (see **Diagram 3**). The area between the Lorenz curve and the diagonal line of complete equality, as a proportion of the triangular area between the curves of complete equality and inequality, gives the value of the Gini coefficient. Thus, a distribution of perfectly equal incomes has a Gini coefficient of zero; as inequality increases (and the Lorenz curve bellies out), so does the Gini coefficient until, with complete inequality, it reaches its maximum value of 1 (or 100 per cent).

54. To calculate the Gini coefficient for an income distribution, the first step is to rank that distribution in ascending order. All the Gini coefficients shown in this analysis are based on distributions of equivalised income for example, the coefficient for original income is calculated after dividing the original income for all the households by their appropriate equivalence values.

55. Strictly speaking, one could argue that the equivalence scales used here are only applicable to disposable income because this is the only income measure relating directly to spending power. Since the scales

Diagram 3
Complete income equality

are often applied, in practice, to other income measures, we are content to use them to equivalise original, gross and post-tax income for the purpose of producing Gini coefficients (and in the tables giving percentage shares of total income). However, we do not think it is appropriate to equivalise the final income measure because this contains notional income from benefits in kind (for example, state education): the equivalence scales used in this analysis are based on actual household spending and do not, therefore, apply to such items as notional income.

Impact of population weighting

56. The survey results have been re-weighted and grossed so that the population totals reflect the whole household population, a process described as population weighting. Different weights are applied to different types of households in order to correct for over and under-representation of these groups in the responding sample of the EFS. Population weighting raises the quality of the estimates by making the population more representative and by improving the allocation of national accounts aggregates to individual households. Estimates based on the population-weighted data set are different from estimates based on the sample. Indeed, if they were not, there would be little point in the weighting. The effect of weighting on some of the major

variables used in the analysis was given in the 1997/98 analysis.

Sampling errors and reliability

57. As the EFS is a sample survey, data from it will differ in varying degrees from those of all households in the UK. The degree of difference will depend on how widely particular categories of income and expenditure vary between households. This 'sampling error' is smallest in relation to large groups of households and measures that do not vary greatly between households. Conversely, it is largest for small groups of households, and for measures that vary considerably between households. A broad numerical measure of the amount of variability is provided by the quantity known as the standard error.

58. To give some idea of sampling variability, the percentage standard error for average gross household income for all households is approximately 1.4 per cent, which implies a 95 per cent confidence interval of ± 2.8 per cent.

59. There will be greater sampling variability associated with estimates for decile and quintile groups, and for particular household types mainly because the sample sizes are smaller. For decile and quintile groups of given household types, the sample sizes are of course smaller still,

which will increase sampling variability further.

60. Aside from sampling error, recording household income through a survey is not easy, particularly where the complexities of the tax and benefit system are concerned. Consequently there will also be a significant amount of non-sampling error attached to some estimates.

Previous analyses

61. This analysis is the latest in an annual series covering the years from 1957 onwards. From 1987 onwards, the analyses have used a very different methodology, in particular households are ranked by their equivalised disposable income. Hence, the results are completely incompatible with earlier years. Last year the analysis was published on the internet in May. A list of the previous articles was included in the article published in March 1997.

62. The results in all analyses are intended to be free standing: they were not designed for direct comparison with other years except where some limited comparisons were made in them. Such comparisons are difficult because of changes in definitions, however, some broader measures like the Gini coefficients are relatively robust and will stand comparison with other years: this year's analysis gives such a comparison for the years 1980 to 2006/07.