

**The incidence of taxes and social
service benefits in 1968**

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I. Introduction

The central government and local authorities raise large sums of money in taxes of various kinds and social insurance contributions from individuals and families, the amounts depending on their circumstances (level of income, number of children, etc.) and how much they spend on goods and services which attract Customs and Excise duties, purchase tax, and other indirect taxes. Much of the revenue is handed back to the same or to different families in the form of cash benefits (e.g. family allowances, national insurance benefits) or is used to provide benefits in kind (e.g. state education, national health services), the costs of which are known or can be estimated. Some of the revenue is used to finance expenditure on defence, administration, and law and order, the benefits from which cannot very sensibly be valued and apportioned to individual families. Some of the revenue is used to provide roads, libraries, museums, parks and other services for the community as a whole, but there is no satisfactory way of estimating the value of the benefits which any individual family derives from these environmental services. It is nevertheless interesting to estimate the incidence of all those taxes and benefits which can be allocated to individual families, and to see how much families in different circumstances gain or lose on balance. The present article, which is the sixth of a series,⁽¹⁾ presents results for 1968 and includes some general comparisons with the results for earlier years.

The estimates are based on detailed information obtained from the Family Expenditure Survey⁽²⁾ which has been carried out by the Department of Employment and Productivity, with the help of the Government Social Survey, every year since 1957. This is a sample survey in which some 3,000 households⁽³⁾ co-operated each year up to 1966. In 1967 the size of the sample was increased and since then over 7,000 households have co-operated each year. Each household is asked to give detailed information about all forms of income, including national insurance and other cash benefits received from the State; payments of income tax and surtax; the type of dwelling occupied; the kind of education which any member of the household is receiving; and so on. Each spender in the household is asked to

provide details of regularly recurring items of household expenditure such as rent, rates, licences, telephone, gas and electricity accounts, etc., and to keep a full record of all expenditure incurred during fourteen consecutive days.

Despite the recent increase in the size, this is still a relatively small sample to support such an elaborate analysis and most of the information about each household covers only a short period of time. So it is necessary to exercise caution and to remember the accompanying explanations and qualifications when reading the results. The intention is to give a broad picture of the incidence of taxes and benefits and too much attention should not be paid to results which refer to a small number of households in a particular income range. The collection of so much information on a voluntary basis from a relatively small sample of households and the preparation of these estimates present numerous difficulties and problems. A number of assumptions and approximations have to be made, and in a few cases (mentioned below) it has been necessary to make some adjustments to the data recorded in the Family Expenditure Survey. As experience has gradually been gained, the detailed methods used have, over the years, been modified and improved, so that the estimates for more recent years should be a little more reliable than those for earlier years. The increase in the size of the sample from 1967 onwards should also have improved the reliability of the results.

II. Summary of results

The results are briefly summarised here and described in more detail in Section IV. The relative incidence of taxes and benefits on households of different types and different income levels was broadly the same in 1968 as in the years covered by the previous articles (see Tables A-F). Families in the lowest income ranges gain much more from benefits than they pay in taxes, while families with higher incomes pay rather more in taxes than they receive in benefits (Table I). Within each income range, the largest families gain most and the smallest families gain least (or lose most), on balance, from all taxes and benefits combined. When the net gain or loss from all taxes and benefits is expressed as a proportion of the family's original income, the contrast is more marked. It is generally true to say that the smaller the income of the family and the larger the size of the family, the greater is the net gain from benefits and taxes as a proportion of income (where benefits exceed taxes); and (where taxes exceed benefits) the larger the income of the family and the smaller the size of the family, the larger generally is the net loss from taxes and benefits as a proportion of income (Tables A and B).

It is usual to compare the incidence of different taxes and benefits on different groups of households in terms of the proportion which they bear to the income of the

(1) Estimates for 1957 and 1959, 1961 and 1962, 1963 and 1964, 1965 and 1966, and 1967, were published in *Economic Trends* in November 1962, February 1964, August 1966, February 1968 and February 1969, and additional estimates for low income households in July 1968.

(2) For a description of these surveys and the general results, see *Family Expenditure Survey—Report for 1968* and similar reports for earlier years, published for the Department of Employment and Productivity by H.M.S.O., and *Family Expenditure Survey—Handbook on the sample, fieldwork and coding procedures* by W. F. F. Kemsley, published for the Government Social Survey by H.M.S.O.

(3) Throughout this article the terms 'household' and 'family' are used synonymously.

Income after all taxes and benefits as a percentage of original income

TABLE A

Percentages

	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
1961															
1 adult	104	91	82	82	77	73	72	69							88
2 adults	152	122	114	96	87	81	77	74	74	72	73	73	69	69	81
2 adults, 1 child .. .				96	88	85	84	81	80	77	75				81
2 adults, 2 children .. .				102	101	94	92	89	88	87	86				90
2 adults, 3 children .. .					112	118	108	107	95						103
2 adults, 4 children .. .						117	110								108
3 adults				127	99	99	86	80	76	72	73	73			80
3 adults, 1 child .. .							93	91	85	80	76				80
3 adults, 2 children .. .							99	103	95	87	81				91
4 adults								91	80	75	75	71			76
All households in the sample	145	114	111	102	94	91	88	85	82	80	78	76	74	70	87
1968															
1 adult	153	134	114	98	84	76	67	69	64	64	65	63	68		83
2 adults	212	184	164	144	119	95	86	74	69	68	67	67	65	65	76
2 adults, 1 child .. .						97	89	82	78	75	75	72	73	79	79
2 adults, 2 children .. .						116	100	93	85	84	82	81	79	74	85
2 adults, 3 children .. .							111	105	100	93	90	90	86	74	94
2 adults, 4 children .. .							134	116	108	101	97				106
3 adults					154	131	111	93	85	76	71	70	64	67	74
3 adults, 1 child .. .								111	95	86	82	80	73	77	83
3 adults, 2 children .. .									111	91	91	90	86	83	94
4 adults										85	81	72	70	68	74
All households in the sample	209	182	158	132	119	102	95	88	83	79	77	75	73	71	84

household. By convention a tax is described as *progressive* if, in general, it absorbs a larger proportion of high than of low incomes, and *regressive* if it absorbs a smaller proportion of high than of low incomes. Similarly, a benefit is termed progressive if, in general, it forms a larger proportion of low than of high incomes (this is true of all benefits included in these estimates).

All taxes and benefits combined are progressive in the sense just defined, and also in the sense of favouring large as against small families. For each type of family, direct and indirect taxes combined form a remarkably stable proportion of income over a wide range of incomes; and generally form a smaller proportion of the income of large than of small families, but the differences are not very marked (Table C). While income tax (including surtax) is progressive, the present national insurance and national health contributions (particularly the flat rate contributions) are regressive and indirect taxes as a whole are also regressive, so that all taxes combined are only mildly progressive (Tables E and F). It should, however, be noted that while, for the groups of households for which separate estimates are shown here, total taxes as a proportion of income show surprisingly small variations, the proportion of income paid in taxes by individual households in each of these groups may well show quite wide variations.

Social service benefits as a whole are very progressive and each of the benefits included in these estimates is progressive, favouring both families with low incomes much more than those with high incomes and larger families more than smaller families. It is largely because

flat rate benefits form a much larger proportion of low than of high incomes that benefits as a whole are much more progressive than taxes as a whole (Table D).

A comparison of the results for 1968 with those for earlier years show that both taxes and benefits as a proportion of income have been rising and break-even levels of income (where total taxes equal total benefits) have also been rising. Prices of consumer goods and services have of course been rising at the same time.

The changes which have occurred over the period 1961-1968 appear to have slightly favoured families with relatively low compared with those with relatively high incomes, i.e. all taxes and benefits combined have perhaps become slightly more progressive over this period. Most of this change is attributable to improvements in direct benefits, particularly national insurance benefits (Table 4).

III. General description

A general description of the estimates, explaining what taxes and benefits are included or excluded, and a brief account of the problems and how they are dealt with are given here. Fuller details of the definitions and methods used are given in Section V.

Direct taxes on personal income include income tax and surtax and employers' and employees' contributions to national insurance and national health services. In accordance with conventions used in national income estimates, the employer's contribution has up to the present been regarded as part of the employee's original

income and as a tax on his income^(*). On the other hand the selective employment tax is treated as a tax on expenditure. Death duties, being taxes on capital rather than income, are not included. Nor are taxes on undistributed profits; although undistributed profits belong in a sense to shareholders, they are not treated as part of personal income for purposes of income tax and they are not part of a family's disposable income. Capital gains, in accordance with national income conventions, are also excluded from income, and so taxes on capital gains are likewise omitted.

Direct benefits include both benefits paid in cash and what can broadly be termed benefits in kind. *Cash benefits* include family allowances, pensions, national insurance benefits, etc., but not scholarships and education grants. The contribution to a family's income of some of these benefits depends to a certain extent on the period to which incomes and benefits relate; the estimates generally relate to the previous twelve months (see Section V). To a lesser extent, the amounts paid in taxes on expenditure are also affected by the period covered.

What are here termed *benefits in kind* include the national health services, state education, school health services, school meals, milk and welfare foods and also scholarships and education grants because they are a contribution to the cost of education. In estimating the

benefits from state education, it is assumed that all children at each of the eight main types of educational establishment (see Section V) derive the same benefit, equal to the average expenditure per child by the State on that type of education. In estimating the benefits derived from the national health services, it is similarly assumed that the total value of all the services—except maternity services which are separately allocated—is the same for all persons in each of six different categories of the population (see Section V).

No attempt has been made to estimate the benefits derived from government expenditure on administration, defence, police, museums, libraries, parks, roads, and so on. Most of these items, the largest of which is defence, are not generally regarded as bringing tangible benefits that can be expressed in terms of additions to the incomes of individual families. Expenditure on such items as tax collection, maintaining employment exchanges or administering the national insurance scheme are the unavoidable costs of providing social services rather than benefits themselves. Other expenditure goes on what have been aptly termed 'regrettable necessities' rather than benefits (e.g. defence, prisons). Thus it is not, perhaps, even sensible to try to value the benefit which individual families derive from some forms of government expenditure.

Many families undoubtedly derive enjoyment from government expenditure on libraries, museums, roads, parks, public ceremonies and so on. But there does not seem to be any valid and practical method of estimating the value to each individual family of any of these environmental services (i.e. how much the family would

(*) It has been decided that from 1969 onwards, for this analysis, the employer's contribution will no longer be regarded as part of the employee's income; instead, it will be treated as an indirect tax included in the prices of all goods and services produced in the United Kingdom.

Income after direct taxes and benefits as a percentage of original income

	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
1961															
1 adult	115	108	99	97	95	87	86	80							104
2 adults	182	150	140	116	103	97	92	90	89	87	85	86	82	79	97
2 adults, 1 child .. .				116	105	102	99	97	95	90	88				96
2 adults, 2 children ..				121	117	113	108	104	104	98	96				105
2 adults, 3 children ..					127	132	122	119	109						120
2 adults, 4 children ..						138	126								122
3 adults				155	122	119	104	96	93	89	89	86			95
3 adults, 1 child .. .							112	105	98	96	93				95
3 adults, 2 children ..							122	119	110	103	97				108
4 adults								106	97	91	90	87			91
All households in the sample	169	143	133	121	112	110	105	101	98	95	92	89	87	80	103
1968															
1 adult	183	160	138	118	103	95	85	86	80	79	79	77	81		101
2 adults	263	230	202	176	151	121	108	94	88	86	84	82	81	76	95
2 adults, 1 child .. .						126	111	102	97	92	92	88	88	88	96
2 adults, 2 children ..						142	123	114	105	102	99	96	93	86	102
2 adults, 3 children ..							134	127	120	113	108	105	97	94	114
2 adults, 4 children ..							159	141	131	121	119				127
3 adults					186	162	135	119	108	96	91	88	81	82	93
3 adults, 1 child .. .								138	115	107	102	97	91	91	102
3 adults, 2 children ..									131	112	112	107	104	99	113
4 adults										104	102	94	87	86	93
All households in the sample	251	221	193	160	146	128	117	109	103	98	95	92	89	86	103

Total taxes as a percentage of original income plus cash benefits

TABLE C

Percentages

	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
1961															
1 adult	22	25	29	28	32	32	31	33							29
2 adults	22	26	27	27	28	29	30	30	30	31	30	29	32	32	29
2 adults, 1 child ..				29	28	28	28	29	29	29	30				29
2 adults, 2 children ..				30	27	29	27	28	27	25	23				27
2 adults, 3 children ..					28	27	25	24	27						26
2 adults, 4 children ..					28	24	30	30	31	33	32	31			25
3 adults				27	31	29	30	30	31	33	32	31			30
3 adults, 1 child ..							30	25	27	30	33				32
3 adults, 2 children ..							29	26	26	29	31				29
4 adults								26	30	33	31	33			31
All households in the sample	23	29	27	27	28	29	28	28	29	30	30	30	31	34	29
1968															
1 adult	23	24	27	29	33	35	39	38	40	39	39	38	33		34
2 adults	26	24	25	27	30	34	35	37	39	38	37	36	37	37	36
2 adults, 1 child ..						36	35	35	35	35	35	36	33	25	34
2 adults, 2 children ..						29	32	32	34	33	33	31	33	33	33
2 adults, 3 children ..							33	31	33	31	32	30	29	36	32
2 adults, 4 children ..							31	32	33	35	34				33
3 adults					27	31	28	37	36	36	38	38	39	37	37
3 adults, 1 child ..								33	33	35	36	35	38	36	35
3 adults, 2 children ..									31	34	36	32	30	31	32
4 adults										33	36	41	39	41	40
All households in the sample	23	25	27	27	30	32	34	35	36	35	36	36	37	36	35

be willing to pay for the service, or the equivalent addition to its income). In the absence of any information about the extent to which different people make use of these amenities, which must vary a lot, any method of allocation is bound to be extremely arbitrary and would probably be very wide of the mark. Total expenditure on this group of items⁽⁵⁾ has amounted in recent years to about 15 per cent of expenditure on the benefits which are included in the present estimates; but, partly because some of the services are also used by industry and by the government, this is probably an upper limit of the value of benefits which are omitted.

The only *indirect benefits* included in these estimates are *housing subsidies*, which are defined as the difference between current account expenditure by public authorities on housing and the rents paid by tenants of local authority dwellings. They are estimated separately for each local authority dwelling in the sample, on the basis of rateable values. *Agricultural subsidies* are not treated as benefits to consumers since they merely have the effect of keeping the prices of domestic produce down to the same level as the prices of imported foods which are unrestricted. These subsidies are included in the original income of farmers, and not treated as benefits, since they form part of the earnings of farmers who could otherwise earn comparable incomes in other employment.

Indirect taxes, or taxes on expenditure, are either paid directly by consumers, e.g. local rates, motor vehicle

duties, or assumed to be fully reflected in the prices paid by consumers when buying commodities which are subject to tax, e.g. purchase tax, Customs and Excise duties. Payments of indirect taxes which are levied directly on consumer goods are estimated from the details of expenditure given by families co-operating in the surveys, the proportion which the tax bears to the retail price being estimated from the known rates of tax and from information obtained from various sources about retailers' margins. Since the purchase tax on motor vehicles affects the prices of second-hand vehicles, it is assumed to form part of expenditure on second-hand cars and of receipts from sales of second-hand cars, as well as being included in the prices of new cars.

Indirect taxes on *intermediate products*, i.e. materials, etc. purchased by industry, are also assumed to be fully reflected in the prices of the goods and services that are taxed, and to be passed on in full at each subsequent stage of production. Their allocation between different headings of consumers' expenditure is based on input-output tables.

Three general qualifications which affect the accuracy of the estimates should be borne in mind, in addition to those already mentioned. Firstly, the basic information is obtained from a small sample of families; and, although the sample is very carefully designed to be as representative as possible of all private households in the United Kingdom, the results are subject to the normal errors expected in probability samples. It is most important to remember this where the number of families of a given type in a particular income range is quite small. More

⁽⁵⁾ Comprising: roads and public lighting; water, sewerage and refuse disposal; public health services; parks and pleasure grounds; libraries, museums and arts; police; fire service; local welfare services.

particularly, the estimated payments of purchase tax are based on cash and credit purchases which households in the sample made in relatively short periods.⁽⁶⁾ The results should therefore be read in conjunction with the numbers of families which are shown in the tables. For this reason, results are not shown where the number of families in an income range is fewer than 10.

Secondly, the average expenditures on alcoholic drink and tobacco recorded by households in the sample are well below the levels which would be expected from the known total yields of duties on these items. Even after allowing for expenditure by residents in hotels, boarding houses, hospitals and other institutions not covered by the survey, roughly half the taxes on drink and a quarter of the taxes on tobacco remain unaccounted for. This is a common feature of expenditure surveys and there are several possible explanations.⁽⁷⁾ To compensate for the deficiencies in taxes on drink and tobacco the same proportional adjustments have been made to all the recorded figures of expenditure on these items to bring average expenditure into line with the known yields of the duties. Similar but smaller proportional adjustments have also been made to the recorded figures of expenditure on confectionery, ice cream and soft drinks to make average expenditure consistent with the yields of purchase tax on these items.

Thirdly, in recent years about 70 per cent of the households included in the sample have co-operated

(⁶) In the case of cash purchases of motor vehicles the period was extended from two weeks to twelve months in 1968.

(⁷) See *Family Expenditure Survey—Handbook on the sample, fieldwork and coding procedures* page 93. (See footnote (²).)

by providing all the information requested; the families which do not co-operate may differ in important respects from those that co-operate. Even among families of a given type in a given income range, the two groups may differ in the amounts they pay in direct taxes, in the amounts of benefits they receive in cash and kind and in their purchases of drink and tobacco and other items that are subject to indirect tax. In the years before 1963, the sample was re-weighted to allow for apparent variations in the proportions of families of different types and in different income ranges co-operating in the survey. Since the results thus obtained were not altogether satisfactory, these adjustments are no longer made and all the estimates shown here (including those for the years before 1963) are unweighted averages.

IV. Results

The incidence of taxes and benefits as a whole and of the main groups of taxes and benefits on the 10 main types of family and all families combined, at different income levels, is shown in Tables A-F. Detailed estimates of taxes paid and benefits received by each type of family (those consisting of 1 adult, 2 adults with 0-4 children, 3 adults with 0-2 children, and 4 adults) and by all households combined are shown in Tables 1 and 3. These 10 types of household between them account for some 85 per cent of the sample. The households containing 3 or 4 adults are more heterogeneous than the others; for example, a household consisting of three adults may contain a married couple with a son or daughter over 16 (and possibly still at school), a married

Total benefits as a percentage of original income plus cash benefits

TABLE D	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
1961															
1 adult	25	17	12	11	11	6	4	3							18
2 adults	53	41	37	23	16	11	8	5	5	4	3	3	2	1	12
2 adults, 1 child				26	17	13	12	10	9	6	5				11
2 adults, 2 children				31	28	23	19	17	15	12	9				18
2 adults, 3 children					36	40	30	28	19						29
2 adults, 4 children						43	33								32
3 adults				45	30	28	17	11	8	5	6	4			11
3 adults, 1 child						24	17	12	10	9					12
3 adults, 2 children						28	29	21	17	13					21
4 adults							18	12	9	7	4				9
All households in the sample	52	40	36	29	23	21	17	14	12	10	8	6	5	3	17
1968															
1 adult	53	46	37	27	19	13	7	8	5	4	5	1	2		20
2 adults	73	64	59	53	43	30	23	14	9	7	5	4	3	3	14
2 adults, 1 child						33	25	18	14	10	10	8	7	3	13
2 adults, 2 children						42	32	25	20	17	15	12	12	8	18
2 adults, 3 children							43	35	33	25	22	20	15	11	27
2 adults, 4 children							59	46	40	36	31				38
3 adults					57	51	36	31	24	14	10	9	4	5	13
3 adults, 1 child							41	28	22	18	15	11	11	13	19
3 adults, 2 children								41	26	27	23	17	15	15	27
4 adults									20	18	14	9	9		15
All households in the sample	72	67	59	48	44	34	29	23	20	16	13	12	10	8	20

Indirect taxes as a percentage of income after direct taxes and benefits

TABLE E

Percentages

	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
1961															
1 adult	11	17	18	16	19	17	16	14							16
2 adults	18	20	20	19	18	17	18	19	16	17	14	15	15	13	17
2 adults, 1 child ..				18	18	17	16	17	17	14	15				16
2 adults, 2 children ..				18	17	18	16	16	16	12	11				15
2 adults, 3 children ..					17	15	14	14	16						15
2 adults, 4 children ..						16	15								13
3 adults				20	20	18	19	18	18	20	18	15			17
3 adults, 1 child ..							18	14	15	18	19				16
3 adults, 2 children ..							20	14	14	16	17				16
4 adults								15	18	19	17	18			16
All households in the sample	16	21	18	17	17	18	16	16	17	17	16	15	15	13	16
1968															
1 adult	18	16	19	18	20	21	22	20	21	19	17	19	16		19
2 adults	21	20	19	20	21	23	22	22	23	22	21	18	20	15	20
2 adults, 1 child ..						23	22	21	20	19	20	18	17	10	19
2 adults, 2 children ..						19	19	19	20	18	18	15	15	13	18
2 adults, 3 children ..							18	18	18	18	17	14	12	21	18
2 adults, 4 children ..							16	19	18	18	19				17
3 adults					20	21	18	23	22	22	23	21	21	18	21
3 adults, 1 child ..								22	19	21	20	18	20	16	19
3 adults, 2 children ..									16	19	20	16	18	16	18
4 adults										19	21	24	21	21	21
All households in the sample	18	18	19	19	20	21	20	20	20	20	20	19	19	17	19

couple plus a single man or woman, possibly an elderly dependant, or three single persons. The figures shown for all households combined cover, in addition, miscellaneous types of household for which the separate results are not shown.

The one and two-adult households for which results are given in Tables A-F and Tables 1-4 exclude pensioner households, so defined if at least three-quarters of the household income is derived from national insurance retirement and similar pensions, and supplementary pensions and allowances (formerly national assistance)⁽⁸⁾. All such households have very small original incomes and pay next to nothing in direct taxes, and thus fall into a category of their own. (Results for these and other retired households are shown in Tables 6 and 7.) Other households with an original income of less than £260 a year are also omitted from these tables because many of them consist of one or two adults, a large proportion of whom receive retirement or similar pensions and whose circumstances resemble those of pensioner households. Of the one and two-adult households in the lowest income ranges shown, a fair proportion also contain retired people receiving substantial amounts of state pension.

Households are classified by ranges of original income, marked off by equal intervals on a logarithmic scale. Table 8 shows the distribution, by type of family and income range, of all households which co-operated in the Family Expenditure Survey in 1968. The numbers of households of each type in each income range are also shown in Table 1. Results are shown where

⁽⁸⁾ The tables include results for retired *non-pensioner* households.

there are at least 10 households in the income range, but it must be remembered that results referring to a small number of households may not be very representative and even those referring to larger numbers may be considerably influenced by one or two, possibly untypical, households. For instance, one household containing a student with a large educational grant may considerably influence the average benefits received; another may have bought an expensive durable good in the two weeks of the survey and the purchase tax included in the price, when converted to an annual rate of payment, may be very large. It is always advisable, therefore, to look at the general run of figures for families in several adjacent income ranges.

Results for 1968

The broad effects of taxes and benefits in 1968 compared with 1961 are summarised in Tables A-F. Tables A and B show, respectively, income after all taxes and benefits, and income after direct taxes and benefits, as percentages of original income. Since some cash benefits are taxable, total payments in all taxes are expressed as percentages of original income *plus* cash benefits in Table C, and total benefits as percentages of the same total in Table D. Since indirect taxes fall on expenditure, total payments in indirect taxes are shown as percentages of disposable income (i.e. income after direct taxes and benefits) in Table E. Corresponding figures for each of six main groups of indirect taxes are shown in Table 3. The separate effects of income tax and surtax, national insurance contributions, direct benefits in cash and direct benefits in kind, expressed in each case as

Direct benefits and taxes as percentages of original income plus cash benefits

1968

TABLE F

Percentages

	Range of original income: £ per year														Average over all income ranges
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
Cash benefits															
1 adult	43	35	30	21	15	9	4	5	2	2	4	—	1		15
2 adults	58	53	48	40	34	21	16	7	5	3	2	1	1	1	9
2 adults, 1 child						16	8	4	3	1	1	1	—	—	3
2 adults, 2 children						18	11	6	4	3	3	2	1	1	4
2 adults, 3 children							10	11	7	5	5	4	3	2	7
2 adults, 4 children							19	13	11	8	7				11
3 adults					45	34	27	19	13	8	3	3	1	1	7
3 adults, 1 child								22	8	7	4	2	1	1	5
3 adults, 2 children									10	5	6	5	4	5	8
4 adults										11	7	6	2	1	5
All households in the sample	55	48	44	34	30	20	14	9	6	4	3	3	2	2	9
Benefits in kind															
1 adult	8	11	6	5	4	3	3	3	2	1	1	1	1		4
2 adults	13	11	11	12	8	8	6	5	4	3	3	2	2	1	5
2 adults, 1 child						16	16	13	11	9	8	7	7	3	10
2 adults, 2 children						24	20	18	15	14	12	10	11	6	13
2 adults, 3 children							31	24	25	20	18	17	12	9	20
2 adults, 4 children							40	32	28	27	24				26
3 adults					10	15	9	11	9	6	6	6	3	4	6
3 adults, 1 child								17	19	14	14	12	10	12	13
3 adults, 2 children									30	20	21	18	12	10	18
4 adults										8	11	8	6	8	9
All households in the sample	16	19	14	13	13	13	14	14	13	11	10	9	8	6	10
Income tax and surtax															
1 adult	4	6	7	7	10	10	12	14	17	19	22	20	18		14
2 adults	1	2	4	4	5	6	7	9	11	12	13	15	16	24	12
2 adults, 1 child						3	4	5	8	10	10	14	14	13	10
2 adults, 2 children						—	2	3	7	8	10	11	15	19	9
2 adults, 3 children							2	2	6	6	9	11	14	14	7
2 adults, 4 children							2	1	4	9	7				7
3 adults					2	3	3	7	8	9	10	12	15	18	12
3 adults, 1 child								2	5	6	8	10	13	17	10
3 adults, 2 children									4	5	7	8	6	12	7
4 adults										7	7	10	12	16	12
All households in the sample	2	3	4	4	5	5	6	6	8	9	10	12	13	17	10
National insurance contributions															
1 adult	—	1	2	4	6	7	8	7	7	5	4	4	3		5
2 adults	1	1	1	2	4	7	7	9	8	8	7	6	5	3	6
2 adults, 1 child						8	9	9	8	7	7	6	4	2	7
2 adults, 2 children						7	9	9	8	7	6	5	4	2	6
2 adults, 3 children							9	8	8	7	6	5	4	2	6
2 adults, 4 children							9	8	7	7	6				6
3 adults					4	6	7	8	8	9	9	8	8	5	7
3 adults, 1 child								7	9	8	8	7	7	4	7
3 adults, 2 children									8	9	8	7	6	3	7
4 adults										10	9	10	9	7	8
All households in the sample	1	1	2	3	5	7	8	8	8	8	7	7	7	5	6

percentages of original income *plus* cash benefits, are shown in Table F.

Table 1 gives in absolute terms for 1968 the average incomes at different stages, the average amounts paid in each main form of tax and the average amounts received in each main form of benefit by each of the 10 main types of family in different income ranges. The results for 1968, which display similar general features to those for earlier years, were summarised above. This section mentions a few additional features and some of the points which need to be borne in mind when making comparisons. The families whose incomes show the largest proportional gain from all taxes and benefits combined are those consisting of single adults in the lowest two income ranges shown and two adults in the lowest three income ranges shown; also the very small number (15) of households containing three adults with an average original income of little over £600 per year, shared between the three of them. A substantial proportion of each of these groups of families, as is clear from Table 8, contain retired persons who do not pay national insurance contributions and whose pattern of expenditure must be expected to differ from that of working people. The income ranges immediately above those mentioned include a fair number, but smaller proportions, of retired persons. Some of these retired persons may be receiving national insurance pensions which amount to less than 75 per cent of the income of the household, and so are not classified as pensioners. This would partly explain why families in the very lowest income ranges pay a smaller proportion of their income in total taxes than other families, among whom the proportion of total taxes to income shows relatively small variations at different income levels.

Table 2 shows the values of the first and fourth quintile and median incomes at the three main stages of income, viz. original income, income after direct taxes and benefits, and income after all taxes and benefits, separately for each of the 10 types of household and for all households combined, in 1968 and two earlier years. The lowest (highest) quintile is the income such that one-fifth of the households have lower (higher) incomes; the median is the income such that one half of the households have lower incomes. The differences between the median and the lowest and highest quintiles are almost always much smaller after allowing for benefits and taxes than the corresponding differences in original income. A comparison of these differences at the three stages of income illustrates the extent to which redistribution is effected by raising the lowest or by reducing the highest quintile relative to the median. For all types of household, direct benefits, particularly cash benefits, at the lower levels of income, and income tax and surtax at the higher levels, have the greatest influence on the distribution of income and the relative positions of the quintiles.

In terms both of original and of final income, the absolute differences between the highest or lowest quintile and the median, for each type of household, increased between 1961 and 1968; in some cases, the differences relative to the median increased also. But, for most types of household, the effect of all benefits and taxes was to reduce these differences over the period 1961 to 1968, by more between 1965 and 1968 than between 1961 and 1965. A com-

parison of the effects of benefits and taxes at each end of the distribution, for each of the six main types of household (1 adult, and 2 adults with 0-4 children), shows that by far the greatest effect occurs at the lower end of the distribution of the 2 adult households (the most numerous type), but this is partly influenced by the fact that such households contain a large number of retired people receiving pensions. Apart from this, it cannot be said that in general the absolute changes are larger at one end of the distribution than at the other. As proportions of income, the changes are, however, generally much larger at the lower end.

It should be remembered that all the figures in the accompanying tables (except Table 2) represent averages, covering a specified group of households, and there may be substantial variations in, for example, the proportion of income paid in all taxes by individual households within each of the groups shown. In particular, the proportion paid in indirect taxes is likely to vary according to how much the family spends on alcoholic drink, tobacco and petrol.

Benefits in cash, as a proportion of income, decline markedly as income rises and so are very progressive (see Table F). The proportion of cash benefits to income also increases as the number of children in the family increases; the high proportions shown for one and two adults are probably explained by the presence of retired persons in the lower income ranges. Benefits in kind, as a proportion of income, decline (though less markedly than cash benefits) with increasing income and are progressive both in this sense and (more so than cash benefits) in the sense of forming a higher proportion of the income of large than of small families. A substantial proportion of benefits in kind (health services) can only be allocated on a rough basis, in the absence of detailed information about the extent to which different people make use of these services.

The only indirect benefits are housing subsidies, which are small in comparison with other benefits. Generally it is the households in the lowest income ranges which receive the largest housing subsidies (see Table 1); these subsidies (though not shown here as proportions of income) must therefore form a declining proportion of increasing income and are thus progressive.

While indirect taxes as a whole are regressive (see Table E), the incidence of different types of indirect tax shows considerable variation (see Table 3). Both local rates and duties on tobacco absorb a larger proportion of income at the lower than at the higher income levels and so are clearly regressive. The proportion paid in taxes on alcoholic drink fluctuates between different income ranges and such taxes as a whole cannot be said to be markedly progressive or regressive. A more detailed analysis reveals that duties on beer are slightly regressive. The incidence of purchase tax seems, on the whole, to be more or less neutral. Indirect taxes on intermediate products are, in general, mildly regressive. The only indirect taxes which tend to form a smaller proportion of the income of larger families than of smaller families are local rates and taxes on drink.

The broad effects of taxes and benefits on the six main types of household are illustrated in Chart 1, which shows clearly both the progressive incidence of benefits and the stable proportion of income taken in taxes over a wide range of incomes.

Chart 2 shows, for 1968, the average income after taxes and benefits plotted against the average original income of families consisting of 1 adult and 2 adults (retired and non-retired combined) and 2 adults with 1-4 children. For all points on the diagonal line, income after taxes and benefits is equal to original income. Families represented by points above this line receive more, on average, in benefits than they pay in taxes; families represented by points below this line pay more, on average, in taxes than they receive in benefits. If the line joining the points for a given type of family crosses the diagonal at a fairly clearly defined point, this can be regarded as the approximate 'break-even' level of income in respect of all the benefits and taxes included in these estimates. But, as it happens, in most cases the points for a given type of family do not lie on a clearly defined line, particularly near the diagonal, or they lie on a fairly straight line but it crosses the diagonal at a narrow angle. It is then difficult to determine the break-even level of income.

It is also important to keep in mind the number of families (given in Table 1) represented by each point on these charts; an unusually large amount of taxes paid, or of benefits received, by one family in the period of the survey may completely dominate the average amount of tax or benefit for a particular group of families. Furthermore, the positions of the points representing one and two-adult households in the lowest income ranges are considerably influenced by the inclusion of a fair proportion of retired persons receiving state pensions, and so it is not possible from these charts to determine the break-even points for households containing one or two adults who have not retired.

For households with children it is sometimes possible to estimate the approximate break-even levels of income from the charts. But, even in these cases, judgment is involved in assessing the relative importance of the different plotted points lying near the break-even line.

Subject to these qualifications, it appears that in 1968 the break-even levels of income after direct taxes and benefits were approximately £1,200 for 2 adults with 1 child, £1,800 for 2 adults with 2 children and over £2,500 for 2 adults with 3 children; after all taxes and benefits, the break-even levels for the same families were around £700, £950 and £1,300 respectively, a little higher than they were in 1967. If the benefits which individual households can reasonably be said to enjoy from the environmental services mentioned in Section III above (roads, libraries, museums, police, etc.) were included in the estimates all the break-even levels would be slightly higher.

Comparisons 1961-1968

The broad effects of taxes and benefits on all types of household combined in each of the years 1961 to 1968 and on the three commonest types of household—2 adults with 0, 1 or 2 children—in 1961, 1965 and 1968 are set out in Table 4, which assembles the results published in earlier articles. It must be remembered that, as most incomes have been increasing over this period, families in a given income range in 1961 would have moved into higher income ranges in succeeding years;

typically, they might have moved up two income ranges (on the scale used here) between 1961 and 1967 and even higher by 1968. Thus, looking at the first section of Table 4, taxes and benefits combined would have brought considerable gains to any families which remained in the lowest income ranges during this period, while families which remained in the higher income ranges shown would have suffered comparatively small reductions in income. But, since the original income of most families was increasing over the period, it is somewhat difficult to make definite statements about the changes experienced by any particular group of families. For all families combined, the right-hand column of the table shows that the net effect of all taxes and benefits was to reduce their average income by the same proportion (13 per cent) in each of the three years 1961 to 1963, and by a proportion which increased in the following years, reaching 16 or 17 per cent in the years 1966 to 1968.

While it appears that families in the lowest income ranges gained substantially between 1961 (or 1963) and 1968, this apparent improvement may be largely explained by the fact that many households will have moved during this period into higher income ranges, so that the families which remained in the lowest income ranges are likely to include an increasing proportion of people who are receiving national insurance pensions. This is to some extent confirmed by the fact that the families which improved their position most over the period were those in the lowest three income ranges shown, the large majority of them consisting of one or two adults. Thus, looking at the figures for families in income ranges between about £560 and £1,200 per year, and allowing for the general movement over the years from lower to higher income ranges, on the whole these families may not have gained much and may in fact have lost ground between 1961 (or 1965) and 1968. There is less doubt, however, that taxes and benefits combined reduced the income of families in the higher income ranges by more in 1968 than in the earlier years. On balance, therefore, the evidence suggests that, over recent years, there has been some, though perhaps only a small, improvement in the position of families with low incomes relatively to that of families with high incomes. Benefits appear to have contributed more to this change than taxes. Families in all income ranges have had to pay appreciably more in taxes of one kind or another—either income tax (partly because of the general increase in income), national insurance contributions or indirect taxes.

Table 5 compares the changes which have occurred in the years 1961 to 1968 in the average incomes before and after taxes and benefits of all households of each of the six main types, and of all households combined. The right-hand section of this table shows that for all six types of household (except for two adults with four children in 1965), the net effect of all taxes and benefits was to cause a larger reduction (or in one case to convert a gain into a loss) in average income in 1965 and in 1968 than in 1961. Otherwise, there does not appear to have been any substantial change in the relative incidence on families of different size of all taxes and benefits combined, either between 1961 and 1965 or between 1965 and 1968.

It is also noticeable that, of the six main family types, one-adult households, whose average income is much

less than that of any of the other five main types, and two adults with three children enjoyed the largest increase in average original income between 1961 and 1968. Two adults with two children showed the next largest rise, while two adults with four children experienced a smaller increase in original income than any of the others. As a result of the combined effects of changes in original income and the impact of taxes and benefits, the incomes of families with three and four children showed very substantial improvements while those of two adults with no child or one child showed only small improvements.

Retired households⁽⁹⁾

The results given in the summary Tables A-F and in Tables 1-5 cover both retired and non-retired households but exclude pensioner households⁽¹⁰⁾. Tables 6 and 7 compare, for households consisting of one or two adults, the results for pensioner, other retired and non-retired households. Table 6 shows total taxes and total benefits as percentages of original income plus cash benefits, and indirect taxes as percentages of income after direct taxes and benefits (corresponding to the summary Tables C, D and E which give similar results for all except pensioner households⁽¹⁰⁾). Table 7 (corresponding to Table 1) shows the absolute figures.

Retired households pay, on average, only small amounts in national insurance contributions and their total payments of taxes are almost always smaller than those for non-retired households in the same income range. As expected, total benefits generally form a higher proportion of the income of retired than of non-retired households. The main exceptions are one and two-adult households in the lowest income range; in each of these groups members of some of the non-retired households were at university and so their benefits from state education were unusually large. As between different retired households, benefits appear to be a little less progressive with respect to income than between different non-retired households; but this is also to be expected since substantial pensions are received by retired households in the higher as well as in the lower income ranges.

For one-adult households indirect taxes as percentages of disposable income are generally slightly lower for retired than for non-retired households. On the other hand, the corresponding percentages for two-adult households in the lowest four ranges are slightly smaller for the non-retired households.

V. Definitions and notes on methods

The main source for these estimates is the Family Expenditure Survey which covers a representative sample of private households in the United Kingdom. The survey does not include residents in hotels, boarding houses and other institutions, or members of the armed forces and the merchant navy who are stationed away from home. A household comprises persons who live at the same address and who share in the catering for at least one meal a day. It includes children at boarding school but not university students, etc. who are residing away from home at the time of the survey and who may

⁽⁹⁾ See definition in Section V.

⁽¹⁰⁾ Pensioner households are included, however, in the averages shown for all households combined.

be included as separate households. Age 16 is taken as the dividing line between adults and children.

Households are first classified by the number of adults and children they contain but those consisting of one or two 'pensioners', so defined if at least three-quarters of their income is derived from national insurance retirement and similar pensions, including benefits paid in supplementation or instead of such pensions, are classified separately. Since 1967 non-pensioner households have been further classified into 'retired' and 'non-retired' households, a *retired household* being defined as one in which the combined income of members who are at least 60 and describe themselves as retired or unoccupied makes up at least half the income of the household as a whole.

The estimates shown in the tables represent averages for households grouped by ranges of original incomes as defined below. The income ranges are marked off by equal intervals on a logarithmic scale, thus providing wider intervals for the highest ranges where there are fewer households with widely dispersed incomes. The use of a logarithmic scale also facilitates comparisons over time when prices are rising.

The taxes and benefits included in the estimates are classified as follows:

DIRECT TAXES

Income tax and surtax

The estimates of income tax and surtax are based mainly on the amounts stated to have been deducted from the most recent payments of wages or salaries, and on tax payments in the previous twelve months in respect of investment income and income from self-employment.

Employers' and employees' contributions to national insurance and national health services⁽¹¹⁾

Employers' contributions to the Redundancy Fund are excluded. The selective employment tax is treated as an indirect tax (see below).

DIRECT BENEFITS

Cash benefits

- family allowances
- national insurance benefits (pensions; sickness, unemployment, industrial injury, maternity benefits, etc.; death grants)
- non-contributory old age pensions
- supplementary pensions and allowances (formerly national assistance grants)
- war pensions, service grants and allowances

Benefits in kind

- state education, including school health services (see below)
- scholarships and education grants
- school meals, milk and other welfare foods
- national health services (see below)

The direct benefits assigned to each household are the amounts stated to have been received in cash in the twelve months prior to the time of the survey, or, in the

⁽¹¹⁾ See footnote (*).

case of benefits in kind, the amounts estimated as described below.

INDIRECT BENEFITS

Housing subsidies

These are defined, for each local authority dwelling separately, as the excess of the estimated economic rent over the actual rent paid by the tenant. The economic rent is calculated by marking up the rateable value of the dwelling in the ratio of the total current account expenditure on all dwellings owned by the local authority to the total rateable value of those dwellings. The housing subsidy estimated for a particular household can (exceptionally) be negative.

INDIRECT TAXES ON FINAL CONSUMER GOODS AND SERVICES

Local rates on dwellings (after deduction of rebates)

Customs and Excise duties on beer, wines, spirits, tobacco, oil, betting, etc.

Purchase tax

Purchase tax on motor vehicles (see below) is applied to purchases of new and second-hand vehicles and (negatively) to sales of second-hand vehicles.

Motor vehicle and driving licences

Radio and television licences

Stamp duties

Selective employment tax (after deduction of refunds)

Payments made by industries which do not qualify for a premium or a refund of tax have been allocated between the various categories of consumers' expenditure as in the National Income Blue Book.

INDIRECT TAXES ON INTERMEDIATE PRODUCTS

Payments by businesses in respect of:

Local rates

Vehicle licences

Duties on oil

Purchase tax and other revenue duties

Import duties on raw materials and on other goods and services

Stamp duties

Selective employment tax (after deduction of refunds)

ORIGINAL INCOME

This is the sum of the incomes, including income in kind, of all members of the household before deduction of all taxes and before the addition of all benefits listed above.

Thus original income differs from the amount of income which is liable to income tax since it excludes national insurance pensions, family allowances and other benefits and grants from public authorities, and includes employers' contributions to national insurance and national health services. It also differs from the term 'gross income' as used in the published reports of the Family Expenditure Surveys, since the latter includes national insurance and other cash benefits and excludes income in kind and employers' contributions to national insurance and national health services.

The figures of income are the estimated normal annual income at the rate current at the time of the survey or, in the case of investment income and the income of self-employed persons, the amount received in the latest year for which the information is available. For wage and salary earners, the normal rate of annual income is estimated by taking into account all the information given about (i) the wage or salary received in the previous week (those paid weekly) or in the previous month (those paid monthly), (ii) the wage or salary usually received in the recent past (if the last payment is stated to be abnormal), (iii) occasional bonus payments and (iv) periods of absence from work through illness or unemployment during the previous twelve months.

Education

The benefit of state education is taken to be the estimated average expenditure per child by public authorities under each of the following headings: special schools, primary, secondary modern, other secondary and direct grant schools, universities, colleges of advanced technology and teachers' training colleges. The fact that every child has a right to free education at the appropriate level is itself considered to be a benefit and children attending private schools are allotted a benefit equal to the average cost per child of either state primary or all state secondary schools. The effect on the averages of attributing a benefit to children at private schools was measured for one year and found to be very small.

National health service

It is not known to what extent different households make use of the various national health services. The values of the benefits assumed to be obtained were estimated as follows. The current cost of maternity services was estimated separately and the average cost per birth was allocated to each household which reported the receipt of national insurance maternity benefit. The values of the benefits from all other national health services combined were based on rough estimates of the differences in the extent to which these services are used by (i) children, (ii) adults below retirement age (65 for men and 60 for women) and (iii) adults above retirement age, in each case separate estimates being available for males and females. The value of benefit assigned to each family is the average net cost to the State of providing the services, i.e. after allowing for prescription charges and payments made for dental, ophthalmic and other services. It has not been possible to distinguish cases where, because of special circumstances, patients receive drugs and other goods and services free of charge.

Purchase tax

Estimates of indirect taxes are based on detailed information about expenditure in the two weeks of the survey and in the previous three months in the case of goods bought on hire purchase. The amount of indirect tax, which is assumed to be fully reflected in the retail price, is based on the rate of tax current at the time of purchase. In general, the average weekly payment of tax is converted into a corresponding annual amount. But the expenditure during two weeks on durable goods normally bought at infrequent intervals, when converted

to an annual basis, may produce a very large estimated payment of purchase tax for individual households. Up to 1967, motor vehicles bought outright (or with a large down payment) during the period of the survey were an extreme example. For a household recording such a purchase, the average payment of purchase tax reckoned over the whole year would be 26 times the average payment in the two weeks, thus giving a false impression of the incidence of the tax, since the number of households in one income range is seldom large. In such cases,

therefore, the payment of purchase tax on motor vehicles was spread (proportionately to income after direct taxes and benefits) over all households in the same income range *plus* a sufficient number of adjacent income ranges to make up at least 300 households (150 in the years before 1967) or at least 30 per cent of the households of that type. In 1968 the estimates of purchase tax on motor vehicles were based on purchases made during the twelve months preceding the interview so that the adjustment described above was no longer necessary.

*Central Statistical Office
and
Department of Health
and Social Security*

APPENDIX

Average incomes before and after taxes and benefits

1968

TABLE 1

£ per year

	Range of original income: £ per year											Average over all income ranges		
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-		2,122-	2,556-	3,104- and above
1 adult														
Number of households	34	37	34	45	66	65	63	68	63	26	23	12	10	765
Original income	288	352	424	520	611	745	899	1,090	1,340	1,636	1,882	2,291	2,751	750
Direct benefits:														
cash benefits	221	190	181	136	106	74	36	53	31	38	77	—	23	134
benefits in kind	39	61	35	31	28	27	23	33	34	24	27	24	27	36
Direct taxes:														
national insurance contributions	1	5	12	26	41	55	77	82	93	89	76	97	74	40
income tax and surtax	21	34	42	49	73	84	113	161	235	314	429	447	508	120
Income after direct taxes and benefits	526	564	586	612	631	708	768	935	1,077	1,294	1,482	1,770	2,219	760
Indirect benefits	7	-1	8	9	6	3	3	6	3	6	-4	—	—	5
Indirect taxes:														
on final goods and services	67	65	82	85	96	115	137	153	182	196	203	280	287	112
on intermediate products	26	25	28	28	29	31	35	37	43	50	48	51	58	31
Income after all taxes and benefits	440	473	483	508	511	565	599	750	855	1,055	1,227	1,439	1,873	621
2 adults														
Number of households	40	42	58	56	66	92	148	192	252	242	234	164	63	72
Original income	289	347	422	511	619	744	907	1,100	1,344	1,621	1,931	2,298	2,809	1,391
Direct benefits:														
cash benefits	396	387	384	337	318	202	167	88	65	46	37	31	31	144
benefits in kind	91	79	85	103	79	74	69	65	51	58	52	52	51	69
Direct taxes:														
national insurance contributions	7	4	7	20	37	63	80	104	117	133	147	147	150	96
income tax and surtax	10	12	31	33	47	53	79	112	157	195	247	340	457	188
Income after direct taxes and benefits	759	797	853	899	933	904	983	1,038	1,186	1,397	1,626	1,894	2,285	1,321
Indirect benefits	13	3	5	12	3	7	12	9	7	11	7	4	3	8
Indirect taxes:														
on final goods and services	120	127	127	137	154	161	169	178	214	247	274	277	350	213
on intermediate products	39	34	37	40	46	43	47	50	57	62	69	72	97	58
Income after all taxes and benefits	612	638	694	734	736	707	779	819	922	1,098	1,290	1,549	1,840	1,059
2 adults, 1 child														
Number of households														
Original income														
Direct benefits:														
cash benefits														
benefits in kind														
Direct taxes:														
national insurance contributions														
income tax and surtax														
Income after direct taxes and benefits														
Indirect benefits														
Indirect taxes:														
on final goods and services														
on intermediate products														
Income after all taxes and benefits														

Average incomes before and after taxes and benefits
1968

TABLE 1 (continued)

	Range of original income: £ per year										Average income over all ranges			
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-		1,752-	2,122-	2,566-	3,104 and above
2 adults, 2 children														
Number of households														
Original income														
Direct benefits:														
cash benefits														
benefits in kind														
Direct taxes:														
national insurance contributions														
income tax and surtax														
Income after direct taxes and benefits														
Indirect benefits														
Indirect taxes:														
on final goods and services														
on intermediate products														
Income after all taxes and benefits														
2 adults, 3 children														
Number of households														
Original income														
Direct benefits:														
cash benefits														
benefits in kind														
Direct taxes:														
national insurance contributions														
income tax and surtax														
Income after direct taxes and benefits														
Indirect benefits														
Indirect taxes:														
on final goods and services														
on intermediate products														
Income after all taxes and benefits														
2 adults, 4 children														
Number of households														
Original income														
Direct benefits:														
cash benefits														
benefits in kind														
Direct taxes:														
national insurance contributions														
income tax and surtax														
Income after direct taxes and benefits														
Indirect benefits														
Indirect taxes:														
on final goods and services														
on intermediate products														
Income after all taxes and benefits														

(1) This figure reflects exceptionally high expenditure by one household in the group during the period of the survey.

Average incomes before and after taxes and benefits
1968

TABLE 1 (continued)

	Range of original income: £ per year											Average income over all ranges			
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-		2,122-	2,566-	3,104 and above
3 adults															
Number of households															
Original income															
Direct benefits:															
cash benefits															
benefits in kind															
Direct taxes:															
national insurance contributions															
income tax and surtax															
Income after direct taxes and benefits															
Indirect benefits															
Indirect taxes:															
on final goods and services															
on intermediate products															
Income after all taxes and benefits															
3 adults, 1 child															
Number of households															
Original income															
Direct benefits:															
cash benefits															
benefits in kind															
Direct taxes:															
national insurance contributions															
income tax and surtax															
Income after direct taxes and benefits															
Indirect benefits															
Indirect taxes:															
on final goods and services															
on intermediate products															
Income after all taxes and benefits															
3 adults, 2 children															
Number of households															
Original income															
Direct benefits:															
cash benefit															
benefits in kind															
Direct taxes:															
national insurance contributions															
income tax and surtax															
Income after direct taxes and benefits															
Indirect benefits															
Indirect taxes:															
on final goods and services															
on intermediate products															
Income after all taxes and benefits															

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Average incomes before and after taxes and benefits
1968

TABLE 1 (continued)

	Range of original income: £ per year										Average over all income ranges			
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-		1,752-	2,122-	2,566-	3,104 and above
4 adults														
Number of households														
Original income														
Direct benefits:														
cash benefits														
benefits in kind														
Direct taxes:														
national insurance contributions														
income tax and surtax														
Income after direct taxes and benefits														
Indirect benefits														
Indirect taxes:														
on final goods and services														
on intermediate products														
Income after all taxes and benefits														
All households in the sample														
Number of households	87	96	116	125	186	263	403	671	1,007	815	860	400	439	7,184
Original income	288	348	422	515	615	746	908	1,100	1,343	1,616	1,925	2,803	4,261	1,453
Direct benefits:														
cash benefits	349	322	334	265	258	189	152	108	87	72	65	53	72	149
benefits in kind	103	126	104	103	113	125	148	163	187	181	195	204	270	168
Direct taxes:														
national insurance contributions	4	6	15	24	42	62	84	101	114	127	145	166	190	104
income tax and surtax	13	19	28	34	48	44	60	77	116	157	203	283	372	164
Income after direct taxes and benefits	723	770	817	826	897	955	1,064	1,194	1,387	1,586	1,837	2,143	2,508	1,502
Indirect benefits	9	2	7	9	9	8	10	11	9	9	8	8	10	9
Indirect taxes:														
on final goods and services	98	106	121	117	135	153	165	188	216	243	285	314	380	224
on intermediate products	34	35	38	37	41	45	49	54	62	68	77	87	101	64
Income after all taxes and benefits	600	632	665	680	729	765	860	963	1,118	1,284	1,482	1,750	2,037	1,223

First and fourth quintile incomes compared with median incomes before and after taxes and benefits

TABLE 2

£ per year

	1961			1965			1968		
	Original Income	Income after direct taxes and benefits	Income after all taxes and benefits	Original income	Income after direct taxes and benefits	Income after all taxes and benefits	Original income	Income after direct taxes and benefits	Income after all taxes and benefits
1 adult									
1st quintile	132	288	245	206	388	325	186	452	364
median	417	416	352	505	557	454	595	639	514
4th quintile	717	669	571	980	838	704	1,159	986	807
median less 1st quintile	285	128	107	299	169	129	409	187	150
4th quintile less median	300	253	219	475	281	250	564	347	293
2 adults									
1st quintile	467	558	454	603	723	574	586	846	658
median	830	788	645	1,093	994	799	1,293	1,196	933
4th quintile	1,274	1,139	975	1,570	1,374	1,134	1,998	1,685	1,379
median less 1st quintile	363	230	191	490	271	225	707	350	275
4th quintile less median	444	351	330	477	380	335	705	489	446
2 adults, 1 child									
1st quintile	678	697	576	886	920	733	1,072	1,077	854
median	937	928	776	1,213	1,181	972	1,443	1,381	1,120
4th quintile	1,287	1,245	1,029	1,632	1,513	1,279	1,972	1,821	1,498
median less 1st quintile	259	231	200	327	261	239	371	304	266
4th quintile less median	350	317	253	419	332	307	529	440	378
2 adults, 2 children									
1st quintile	696	778	643	882	986	806	1,119	1,226	972
median	964	1,026	883	1,206	1,278	1,068	1,511	1,563	1,283
4th quintile	1,320	1,372	1,168	1,646	1,670	1,434	2,039	2,064	1,732
median less 1st quintile	268	248	240	324	292	262	392	337	311
4th quintile less median	356	346	285	440	392	366	528	501	449
2 adults, 3 children									
1st quintile	706	891	756	893	1,093	894	1,093	1,373	1,117
median	917	1,120	967	1,212	1,390	1,217	1,503	1,744	1,462
4th quintile	1,221	1,405	1,239	1,579	1,750	1,559	2,005	2,196	1,863
median less 1st quintile	211	229	211	319	297	323	410	371	345
4th quintile less median	304	285	272	367	360	342	502	452	401
2 adults, 4 children									
1st quintile	658	909	799	822	1,202	994	997	1,477	1,221
median	834	1,086	930	1,134	1,495	1,297	1,351	1,778	1,485
4th quintile	1,209	1,463	1,335	1,623	1,939	1,672	1,814	2,277	1,926
median less 1st quintile	176	177	131	312	293	303	354	301	264
4th quintile less median	375	377	405	489	444	375	463	499	441

First and fourth quintile incomes compared with median incomes before and after taxes and benefits

TABLE 2 (continued)

£ per year

	1961			1965			1968		
	Original Income	Income after direct taxes and benefits	Income after all taxes and benefits	Original income	Income after direct taxes and benefits	Income after all taxes and benefits	Original income	Income after direct taxes and benefits	Income after all taxes and benefits
3 adults									
1st quintile	789	855	695	1,136	1,179	918	1,171	1,312	1,012
median	1,225	1,137	943	1,614	1,494	1,223	1,896	1,736	1,363
4th quintile	1,695	1,537	1,245	2,110	1,845	1,567	2,655	2,313	1,881
median less 1st quintile	436	282	248	478	315	305	725	424	351
4th quintile less median	470	400	302	496	351	344	759	577	518
3 adults, 1 child									
1st quintile	950	1,030	874	1,110	1,276	986	1,343	1,555	1,242
median	1,322	1,319	1,099	1,544	1,589	1,302	1,968	1,994	1,629
4th quintile	1,843	1,705	1,468	2,024	2,021	1,689	2,735	2,509	2,089
median less 1st quintile	372	289	225	434	313	316	625	439	387
4th quintile less median	521	386	369	480	432	387	767	515	460
3 adults, 2 children									
1st quintile	916	1,091	943	1,230	1,494	1,206	1,401	1,694	1,372
median	1,248	1,352	1,182	1,638	1,863	1,588	1,963	2,196	1,759
4th quintile	1,672	1,743	1,433	2,107	2,359	2,062	2,559	2,838	2,356
median less 1st quintile	332	261	239	408	369	382	562	502	387
4th quintile less median	424	391	251	469	496	474	596	642	597
4 adults									
1st quintile	1,167	1,217	1,011	1,499	1,570	1,235	1,860	1,855	1,429
median	1,613	1,508	1,244	2,084	1,999	1,581	2,588	2,337	1,819
4th quintile	2,258	1,985	1,633	2,794	2,445	2,008	3,448	2,999	2,398
median less 1st quintile	446	291	233	585	429	346	728	482	390
4th quintile less median	645	477	389	710	446	427	860	662	579
All households in the sample									
1st quintile	442	538	435	466	661	520	498	776	604
median	895	933	782	1,140	1,153	945	1,359	1,382	1,107
4th quintile	1,400	1,388	1,172	1,753	1,708	1,431	2,142	2,072	1,704
median less 1st quintile	453	395	347	674	492	425	861	606	503
4th quintile less median	505	455	390	613	555	486	783	690	597

Average payments of indirect taxes as percentages of income after direct taxes and benefits
1968

	Percentages														
	Range of original income: £ per year														
	260-	315-	382-	460-	559	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	Average over all income ranges
Local rates															
1 adult	5.4	4.6	5.4	4.7	4.7	5.2	3.8	4.1	3.3	3.7	3.6	3.2	3.5	4.3	
2 adults	3.9	3.5	4.0	4.1	3.9	3.4	3.3	3.2	3.0	2.7	2.6	2.5	2.5	2.9	
2 adults, 1 child .. .. .	..	..	..	..	..	3.0	2.9	2.7	2.7	2.7	2.4	2.4	2.4	2.6
2 adults, 2 children .. .. .	..	..	..	..	..	2.4	2.7	2.5	2.7	2.6	2.4	2.4	2.0	2.4
2 adults, 3 children .. .. .	..	..	..	..	..	..	2.2	2.3	2.3	2.3	2.2	2.2	2.5	2.2
2 adults, 4 children .. .. .	..	..	..	..	..	..	2.1	2.3	2.4	2.1	1.8	2.1	1.9	2.1
3 adults .. .. .	..	..	..	..	2.9	2.2	2.3	2.5	2.5	2.1	2.1	1.8	1.8	1.9
3 adults, 1 child .. .. .	..	..	..	..	..	..	2.3	2.4	2.2	2.1	1.7	2.0	1.9	1.9
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	2.4	2.3	2.0	1.8	2.0	1.9	2.0
4 adults .. .. .	..	..	..	..	..	..	..	..	2.3	2.1	1.9	1.6	1.7	1.7
All households in the sample	3.9	3.6	3.9	3.8	3.6	3.3	2.9	2.8	2.6	2.5	2.3	2.1	2.0	2.5	
Drink															
1 adult	1.1	0.6	2.6	2.0	2.4	2.7	3.7	3.2	4.7	3.7	1.5	7.2	4.5	2.9	
2 adults	3.0	3.2	1.8	2.8	2.9	2.7	2.6	3.0	3.4	3.3	3.6	2.6	2.8	3.0	
2 adults, 1 child .. .. .	..	..	..	..	..	2.5	2.9	2.1	2.2	1.9	2.2	2.9	1.9	2.1
2 adults, 2 children .. .. .	..	..	..	..	..	2.7	1.6	1.8	2.0	1.8	2.3	1.2	2.2	1.9
2 adults, 3 children .. .. .	..	..	..	..	..	..	1.7	2.3	2.4	2.6	1.6	1.8	1.0	2.3
2 adults, 4 children .. .. .	..	..	..	..	..	..	1.4	2.1	1.9	2.0	1.5	3.5	3.3	2.0
3 adults .. .. .	..	..	..	..	3.1	2.8	1.6	2.5	3.8	3.9	3.6	2.0	3.2	3.3
3 adults, 1 child .. .. .	..	..	..	..	..	..	..	2.1	1.5	2.3	2.6	2.3	3.1	2.4
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	..	1.3	2.5	3.2	2.3	3.1	2.5
4 adults .. .. .	..	..	..	..	..	..	..	..	..	2.7	3.2	4.5	3.7	3.8
All households in the sample	1.9	2.1	1.8	2.0	2.3	2.6	2.3	2.4	2.6	2.7	2.9	2.8	3.0	2.7	
Tobacco															
1 adult	2.1	2.6	2.6	3.4	3.8	4.0	4.8	3.6	3.4	2.0	2.3	1.8	2.0	3.0	
2 adults	5.1	4.6	3.6	4.2	4.3	6.5	5.5	4.5	5.3	4.7	3.7	3.5	3.0	4.1	
2 adults, 1 child .. .. .	..	..	..	..	..	5.5	6.1	5.1	4.7	3.8	3.6	3.2	2.3	3.9
2 adults, 2 children .. .. .	..	..	..	..	..	3.1	4.7	4.7	4.2	3.5	3.0	2.1	1.6	3.2
2 adults, 3 children .. .. .	..	..	..	..	..	..	4.9	4.0	4.3	3.2	2.3	2.2	1.8	3.2
2 adults, 4 children .. .. .	..	..	..	..	..	..	4.5	5.9	4.5	3.5	3.2	4.2	4.7	3.8
3 adults .. .. .	..	..	..	..	5.6	4.7	4.3	5.7	4.2	5.4	5.0	4.2	4.7	4.3
3 adults, 1 child .. .. .	..	..	..	..	..	..	..	5.6	4.9	4.4	5.9	4.1	4.1	4.4
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	..	4.3	3.3	4.3	3.1	3.9	3.7
4 adults .. .. .	..	..	..	..	..	..	..	..	4.3	5.1	4.6	5.6	4.7	4.7
All households in the sample	4.0	3.6	3.9	4.0	4.4	5.0	5.1	4.6	4.5	4.1	3.8	3.7	3.8	3.9	

Average payments of indirect taxes as percentages of income after direct taxes and benefits
1968

TABLE 3 (continued)

	Range of original income: £ per year											Average over all income ranges			
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-		2,122-	2,566-	3,104 and above
Purchase tax															
1 adult	1.9	1.8	1.8	1.7	2.3	2.0	2.3	2.3	2.6	2.4	2.4	1.9	1.2	2.1	
2 adults	1.8	1.9	2.6	1.6	2.0	2.0	2.2	2.5	2.3	2.7	3.2	2.5	3.8	2.6	
2 adults, 1 child .. .. .	..	..	..	..	2.7	2.7	2.1	2.3	2.5	2.6	3.0	2.1	3.0	2.5
2 adults, 2 children .. .. .	..	..	..	..	2.4	1.8	1.8	2.3	2.6	2.3	2.2	2.5	3.0	2.4
2 adults, 3 children .. .. .	..	..	..	..	..	2.1	2.1	2.0	2.0	2.2	2.7	2.2	1.2	2.2
2 adults, 4 children .. .. .	..	..	..	..	..	1.8	1.8	2.1	2.0	2.5	3.7	2.7	2.6	2.5
3 adults .. .. .	..	..	..	..	1.5	2.8	2.4	3.0	2.5	2.2	2.8	2.6	2.5	2.7
3 adults, 1 child .. .. .	..	..	..	..	..	..	..	3.5	2.3	3.7	1.9	2.6	2.5	2.6
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	..	1.5	1.6	2.2	2.0	2.4	2.1
4 adults .. .. .	..	..	..	..	..	..	..	..	1.5	1.6	2.6	3.3	2.3	2.8
All households in the sample	1.7	2.0	2.3	1.8	2.0	2.1	2.2	2.4	2.4	2.5	2.7	2.5	2.8	2.5	
Oil															
1 adult	0.8	0.6	0.4	0.6	0.6	0.8	1.4	1.7	1.6	2.0	2.4	0.8	1.1	1.1	
2 adults	0.4	1.1	1.3	1.1	1.6	1.4	1.6	1.9	2.1	2.3	2.1	2.1	1.8	1.9	
2 adults, 1 child .. .. .	..	..	..	..	2.8	2.8	1.3	1.9	1.8	2.1	2.3	1.9	1.7	1.2
2 adults, 2 children .. .. .	..	..	..	..	1.6	1.6	1.7	1.7	2.1	1.8	2.2	1.9	1.6	1.8
2 adults, 3 children .. .. .	..	..	..	..	..	1.3	1.3	1.6	1.7	1.7	2.6	1.1	1.2	1.7
2 adults, 4 children .. .. .	..	..	..	..	..	1.0	1.0	0.8	1.5	1.8	2.7	2.5	3.0	1.5
3 adults .. .. .	..	..	..	..	1.0	2.2	1.3	2.3	2.8	2.0	2.3	2.5	2.4	2.4
3 adults, 1 child .. .. .	..	..	..	..	..	..	..	1.6	1.5	1.8	2.1	2.3	2.8	2.0
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	..	1.3	2.0	2.2	1.6	1.5	1.7
4 adults .. .. .	..	..	..	..	..	..	..	..	1.5	1.5	2.5	2.7	2.6	2.5
All households in the sample	0.5	0.9	1.3	1.1	1.1	1.5	1.4	1.8	1.9	1.9	2.2	2.1	2.1	1.8	
Intermediate taxes															
1 adult	5.0	4.4	4.8	4.5	4.6	4.4	4.5	4.0	4.0	3.9	3.2	2.9	2.6	4.1	
2 adults	5.1	4.3	4.5	4.4	4.9	4.8	4.8	4.8	4.8	4.5	4.2	3.8	4.3	4.4	
2 adults, 1 child .. .. .	..	..	..	..	..	5.2	5.0	4.7	4.5	4.2	4.4	4.1	4.2	4.3
2 adults, 2 children .. .. .	..	..	..	..	..	5.0	4.5	4.2	4.5	4.1	3.9	4.0	3.9	4.1
2 adults, 3 children .. .. .	..	..	..	..	..	..	4.2	4.4	4.1	4.3	4.1	3.7	3.1	4.4
2 adults, 4 children .. .. .	..	..	..	..	..	..	3.9	4.3	4.4	4.2	4.7	4.5	4.0	4.2
3 adults .. .. .	..	..	..	..	4.3	4.7	4.9	5.0	4.4	4.3	4.6	4.0	4.0	4.3
3 adults, 1 child .. .. .	..	..	..	..	..	..	..	4.9	4.7	5.1	4.1	4.0	4.0	4.2
3 adults, 2 children .. .. .	..	..	..	..	..	..	..	4.9	3.8	4.9	4.4	3.9	4.1	4.1
4 adults .. .. .	..	..	..	..	..	..	..	..	4.0	4.0	4.3	4.6	4.1	4.3
All households in the sample	4.8	4.5	4.6	4.5	4.6	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.0	4.3	

(¹) See footnote (¹) to Table 1.

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Income after all taxes and benefits as a percentage of original income
1961-1968

	Range of original income: £ per year											Percentages			
	260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	Average over all income ranges
2 adults															
1961	152	122	114	96	87	81	77	74	74	72	73	73	69	69	81
1965	196	164	130	109	92	84	79	74	71	70	67	67	63	69	77
1968	212	184	164	144	119	95	86	74	69	68	67	67	65	65	76
2 adults, 1 child															
1961				96	88	85	84	81	80	77	75	67			81
1965					101	102	84	80	77	79	77	72			79
1968						97	89	82	78	75	75				79
2 adults, 2 children															
1961				102	101	94	92	89	88	87	86	76			90
1965					117	105	92	89	86	85	84	81			88
1968						116	100	93	85	84	82	79			85
All households in the sample															
1961	145	114	111	102	94	91	88	85	82	80	78	76	74	70	87
1962	163	124	119	109	98	93	88	85	83	81	77	76	72	65	87
1963	142	145	113	110	99	94	90	86	82	79	78	75	76	72	87
1964	159	147	131	106	100	94	91	87	83	81	78	75	73	66	85
1965	157	141	135	110	109	95	91	85	83	81	77	74	73	72	86
1966	173	155	161	121	97	100	91	86	83	81	76	74	73	69	84
1967	205	168	152	131	113	98	90	86	85	80	76	74	73	67	83
1968	209	182	158	132	119	102	95	88	83	79	75	75	73	71	84

**Income after direct taxes and benefits as a percentage of original income
1961 - 1968**

		Range of original income: £ per year											Average over all income ranges			
		260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	
2 adults																
1961	..	182	150	140	116	103	97	92	90	89	87	85	86	82	79	97
1965	..	240	204	170	140	119	104	98	92	88	85	85	80	77	78	94
1968	..	263	230	202	176	151	121	108	94	88	86	84	82	81	76	95
2 adults, 1 child																
1961	..				116	105	102	99	97	95	90	88				96
1965	..					124	122	103	98	94	95	91	86			96
1968	..						126	111	102	97	92	92	88	88	88	96
2 adults, 2 children																
1961	..				121	117	113	108	104	104	98	96				105
1965	..					136	125	112	106	104	102	100	92			106
1968	..						142	123	114	105	102	99	96	93	86	102
All households in the sample																
1961	..	169	143	133	121	112	110	105	101	98	95	92	89	87	80	103
1962	..	188	150	147	128	116	110	104	101	98	95	91	90	84	73	102
1963	..	174	166	135	130	118	112	107	102	98	95	92	90	88	80	103
1964	..	188	176	162	127	121	113	109	105	99	96	94	89	86	75	102
1965	..	190	166	167	138	131	115	111	103	100	97	94	91	88	84	103
1966	..	212	184	189	144	119	121	112	105	101	98	93	90	88	82	102
1967	..	241	204	184	158	138	121	111	106	103	97	93	91	89	81	102
1968	..	251	221	193	160	146	128	117	109	103	98	95	92	89	86	103

**Total taxes as a percentage of original income plus cash benefits
1961 - 1968**

		Range of original income: £ per year											Percentages			
		260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	Average over all income ranges
2 adults																
1961	..	22	26	27	27	28	29	30	30	30	31	30	29	32	29	
1965	..	23	25	31	31	33	33	34	35	33	33	35	35	39	34	
1968	..	26	24	25	27	30	34	35	37	39	38	37	36	37	36	
2 adults, 1 child																
1961	..				29	28	28	28	29	29	29	30	30		29	
1965	..					31	29	31	33	33	32	30	38		32	
1968	..					36	36	35	35	35	35	35	36	33	34	
2 adults, 2 children																
1961	..				30	27	29	27	28	27	25	23			27	
1965	..					27	29	31	29	31	30	31	33		30	
1968	..					29	29	32	32	34	33	33	31	33	33	
All households in the sample																
1961	..	23	29	27	27	28	29	28	28	29	30	30	30	31	29	
1962	..	22	28	29	27	28	28	29	30	29	29	31	31	33	30	
1963	..	27	23	26	27	29	29	29	29	30	31	30	32	30	32	
1964	..	22	24	31	28	29	30	30	30	30	31	32	32	33	31	
1965	..	23	23	28	31	30	31	33	32	32	32	34	36	34	32	
1966	..	25	24	27	28	32	31	34	33	33	33	34	34	35	35	
1967	..	25	26	28	28	32	33	35	35	34	35	35	36	36	35	
1968	..	23	25	27	27	30	32	34	35	36	35	36	36	37	35	

**Total benefits as a percentage of original income plus cash benefits
1961 - 1968**

		Range of original income: £ per year											Percentages			
		260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	Average over all income ranges
2 adults																
1961	..	53	41	37	23	16	11	8	5	5	4	3	3	2	1	12
1965	..	66	58	50	37	27	19	15	10	6	3	4	3	2	2	12
1968	..	73	64	59	53	43	30	23	14	9	7	5	4	3	3	14
2 adults, 1 child																
1961	..				26	17	13	12	10	9	6	5	5			11
1965	..					31	30	16	13	10	10	8	5	7		13
1968	..						33	25	18	14	10	10	8	7	3	13
2 adults, 2 children																
1961	..				31	28	23	19	17	1	12	9				18
1965	..					41	34	24	18	18	15	15	10			19
1968	..						42	32	25	20	17	15	12	12	8	18
All households in the sample																
1961	..	52	40	36	29	23	21	17	14	12	10	8	6	5	3	17
1962	..	59	46	43	34	26	22	17	15	12	11	8	7	4	4	17
1963	..	52	52	36	35	28	23	20	16	12	11	8	8	4	3	18
1964	..	57	53	52	33	29	25	21	18	13	12	11	7	6	4	18
1965	..	55	49	51	39	38	27	24	18	15	13	11	10	8	6	19
1966	..	62	55	65	42	30	32	26	21	17	15	11	9	9	6	19
1967	..	75	63	58	51	42	32	26	22	20	15	12	11	9	6	19
1968	..	72	67	59	48	44	34	29	23	20	16	13	12	10	8	20

**Indirect taxes as a percentage of income after direct taxes and benefits
1961 - 1968**

TABLE 4 (v)

		Range of original income: £ per year											Percentages			
		260-	315-	382-	460-	559-	676-	816-	988-	1,196-	1,448-	1,752-	2,122-	2,566-	3,104 and above	Average over all income ranges
2 adults																
1961	..	18	20	20	19	18	17	18	19	16	17	14	15	15	13	17
1965	..	18	21	25	22	23	21	21	21	19	18	19	17	19	12	19
1968	..	21	20	19	20	21	23	22	22	23	22	21	18	20	15	20
2 adults, 1 child																
1961	..				18	18	17	16	17	17	14	15	15			16
1965	..					19	17	19	19	19	17	15	22			18
1968	..						23	22	21	20	19	20	18	17	10	19
2 adults, 2 children																
1961	..				18	17	18	16	16	16	12	11	17			15
1965	..					15	17	19	17	18	18	16	17			17
1968	..						19	19	19	20	18	18	15	15	13	18
All households in the sample																
1961	..	16	21	18	17	17	18	16	16	17	17	16	15	15	13	16
1962	..	15	18	20	16	16	16	17	17	16	16	16	16	15	11	16
1963	..	20	14	17	16	17	17	17	16	17	17	16	17	14	11	16
1964	..	17	17	20	18	18	18	18	17	18	17	17	17	16	13	17
1965	..	18	17	20	21	18	19	19	18	18	17	19	20	17	14	18
1966	..	20	17	16	17	20	18	20	19	18	18	18	18	18	15	18
1967	..	18	19	19	18	19	20	21	20	19	19	19	19	18	17	19
1968	..	18	18	19	19	20	21	20	20	20	20	20	19	19	17	19

**Average incomes before and after taxes and benefits
1961-1968**

TABLE 5

	£ per year										Percentage of original income		
	1961	1962	1963	1964	1965	1966	1967	1968	1961	1965	1968	1965	1968
1 adult⁽¹⁾													
Original income	467	457	572	668	639	638	750	750	100	100	100	137	161
Income after direct taxes and benefits	485	479	568	642	653	646	736	760	104	102	101	140	163
Income after all taxes and benefits	412	404	478	531	540	544	602	621	88	85	83	116	133
2 adults⁽¹⁾													
Original income	926	975	1,024	1,133	1,169	1,271	1,345	1,391	100	100	100	126	150
Income after direct taxes and benefits	895	909	968	1,050	1,104	1,185	1,245	1,321	97	94	95	119	143
Income after all taxes and benefits	747	756	807	870	900	969	1,004	1,059	81	77	76	97	114
2 adults, 1 child													
Original income	1,041	1,057	1,141	1,146	1,322	1,438	1,433	1,578	100	100	100	127	152
Income after direct taxes and benefits	1,005	1,015	1,096	1,117	1,275	1,358	1,359	1,516	96	96	96	122	146
Income after all taxes and benefits	847	860	931	926	1,050	1,121	1,108	1,239	81	79	79	101	119
2 adults, 2 children													
Original income	1,051	1,090	1,212	1,247	1,284	1,513	1,551	1,644	100	100	100	122	156
Income after direct taxes and benefits	1,107	1,150	1,275	1,299	1,355	1,522	1,585	1,680	105	106	102	129	160
Income after all taxes and benefits	948	995	1,096	1,091	1,135	1,279	1,318	1,392	90	88	85	108	132
2 adults, 3 children													
Original income	991	1,041	1,164	1,198	1,333	1,431	1,510	1,610	100	100	100	135	162
Income after direct taxes and benefits	1,187	1,249	1,324	1,386	1,505	1,626	1,723	1,831	120	113	114	152	185
Income after all taxes and benefits	1,020	1,081	1,145	1,201	1,288	1,382	1,452	1,520	103	97	94	130	153
2 adults, 4 children													
Original income	1,053	966	1,043	1,167	1,259	1,308	1,332	1,556	100	100	100	120	148
Income after direct taxes and benefits	1,283	1,279	1,348	1,453	1,600	1,667	1,768	1,974	122	127	127	152	187
Income after all taxes and benefits	1,135	1,125	1,192	1,259	1,370	1,407	1,504	1,642	108	109	106	130	156
All households in the sample ⁽²⁾													
Original income	984	1,026	1,086	1,162	1,211	1,345	1,394	1,453	100	100	100	123	148
Income after direct taxes and benefits	1,016	1,047	1,116	1,188	1,252	1,365	1,415	1,502	103	103	103	127	153
Income after all taxes and benefits	858	888	944	992	1,037	1,129	1,161	1,223	87	86	84	105	124

⁽¹⁾ Excluding pensioner households.

⁽²⁾ Including pensioner households.

Handwritten notes:
 1961-1968
 1961 467
 1962 457
 1963 572
 1964 668
 1965 639
 1966 638
 1967 750
 1968 750

Handwritten notes:
 1961 100
 1965 100
 1968 100

Taxes and benefits as percentages of income for retired and non-retired households⁽¹⁾⁽²⁾
1968

TABLE 6

Percentages

	Range of original income: £ per year									Average over all income ranges
	Under 216	216-	260-	315-	382-	460-	559-	676-	816-988	
Total taxes as a percentage of original income plus cash benefits										
1 adult: pensioner	19									19
retired non-pensioner	21	20	21	23	24	29	29	31		30
non-retired	24		26	25	31	28	35	37		36
2 adults: pensioner	23									23
retired non-pensioner	24	25	27	25	25	26	30	33	29	30
non-retired	33		25	23	26	28	31	34	36	37
Total benefits as a percentage of original income plus cash benefits										
1 adult: pensioner	110									110
retired non-pensioner	78	58	52	48	40	33	33	28		41
non-retired	92		54	45	34	24	16	7		12
2 adults: pensioner	109									109
retired non-pensioner	92	77	72	65	60	55	48	40	36	49
non-retired	152		74	63	57	51	40	28	21	10
Indirect taxes as a percentage of income after direct taxes and benefits										
1 adult: pensioner	17									17
retired non-pensioner	19	16	16	15	16	20	17	18		18
non-retired	20		21	17	22	17	21	22		19
2 adults: pensioner	20									20
retired non-pensioner	21	21	22	21	19	20	21	23	17	20
non-retired	19		20	19	20	20	22	22	23	21

(¹) With one exception figures are shown only for those income ranges in which there are at least 10 retired and 10 non-retired households for comparison.

(²) For definition of pensioner households and retired households see Section V.

Average incomes before and after taxes and benefits
Retired and non-retired households
1968

TABLE 7

£ per year

	Range of original income: £ per year									Average over all income ranges
	Under 216	216-	260-	315-	382-	460-	559-	676-	816-988	
1 adult—pensioner										
<i>Number of households</i>	396									396
Original income	20									20
Direct benefits:										
cash benefits	317									317
benefits in kind	42									42
Direct taxes	1									1
Income after direct taxes and benefits	378									378
Indirect benefits	11									11
Indirect taxes:										
on final goods and services	45									45
on intermediate products	18									18
Income after all taxes and benefits	326									326
1 adult—retired non-pensioner										
<i>Number of households</i>	112	26	22	17	17	14	12	16		262
Original income	130	238	288	355	423	522	617	751		449
Direct benefits:										
cash benefits	252	230	215	241	212	182	216	219		231
benefits in kind	41	41	42	43	42	43	42	42		41
Direct taxes	3	12	23	49	49	69	111	137		95
Income after direct taxes and benefits	420	497	522	589	628	678	763	875		626
Indirect benefits	6	1	4	—	—	5	13	7		4
Indirect taxes:										
on final goods and services	59	57	58	66	76	106	106	125		85
on intermediate products	20	23	24	21	28	31	26	36		26
Income after all taxes and benefits	347	418	444	502	525	546	644	721		520
1 adult—non-retired										
<i>Number of households</i>	66		12	20	17	31	54	49		503
Original income	99		287	349	426	519	610	744		906
Direct benefits:										
cash benefits	245		232	148	150	115	82	27		84
benefits in kind	66		34	77	27	25	25	23		34
Direct taxes	-1		21	31	59	78	115	140		195
Income after direct taxes and benefits	411		533	543	544	581	602	653		829
Indirect benefits	7		13	-3	16	10	4	2		5
Indirect taxes:										
on final goods and services	61		83	65	89	75	94	112		126
on intermediate products	22		30	28	29	26	30	29		34
Income after all taxes and benefits	335		433	448	442	491	481	514		674

Average incomes before and after taxes and benefits
Retired and non-retired households
1968

TABLE 7 (continued)

£ per year

	Range of original income: £ per year										Average over all income ranges
	Under 216	216-	260-	315-	382-	460-	559-	676-	816-988		
2 adults—pensioner											
<i>Number of households</i>	228										228
Original income	53										53
Direct benefits:											
cash benefits	483										483
benefits in kind	88										88
Direct taxes	1										1
Income after direct taxes and benefits..	623										623
Indirect benefits	12										12
Indirect taxes:											
on final goods and services	95										95
on intermediate products	29										29
Income after all taxes and benefits ..	510										510
2 adults—retired non-pensioner											
<i>Number of households</i>	99	30	20	22	33	27	21	14	18		324
Original income	129	239	289	349	423	512	603	736	888		585
Direct benefits:											
cash benefits	437	412	399	393	404	414	397	338	362		400
benefits in kind	74	81	82	85	84	84	82	79	81		79
Direct taxes	4	10	18	13	39	52	83	119	154		109
Income after direct taxes and benefits..	635	722	751	814	872	957	1,000	1,035	1,178		955
Indirect benefits	10	11	12	1	7	11	3	10	6		7
Indirect taxes:											
on final goods and services	100	112	129	136	127	147	171	189	158		146
on intermediate products	33	39	36	36	39	40	42	48	47		42
Income after all taxes and benefits ..	512	582	598	643	713	761	789	808	980		774
2 adults—non-retired											
<i>Number of households</i>	31		20	20	25	29	45	78	130		1,563
Original income	101		288	345	422	510	626	746	909		1,559
Direct benefits:											
cash benefits	379		392	380	357	267	281	178	140		91
benefits in kind	339		101	73	87	121	77	73	67		68
Direct taxes	4		16	20	37	54	83	116	160		320
Income after direct taxes and benefits..	814		766	778	828	844	901	880	956		1,397
Indirect benefits	12		14	4	3	12	4	7	13		8
Indirect taxes:											
on final goods and services	115		112	117	126	127	146	155	171		226
on intermediate products	39		41	33	37	39	48	42	47		61
Income after all taxes and benefits ..	671		626	632	668	690	711	689	751		1,118

**Distribution of households co-operating in the Family Expenditure Survey⁽¹⁾
1968**

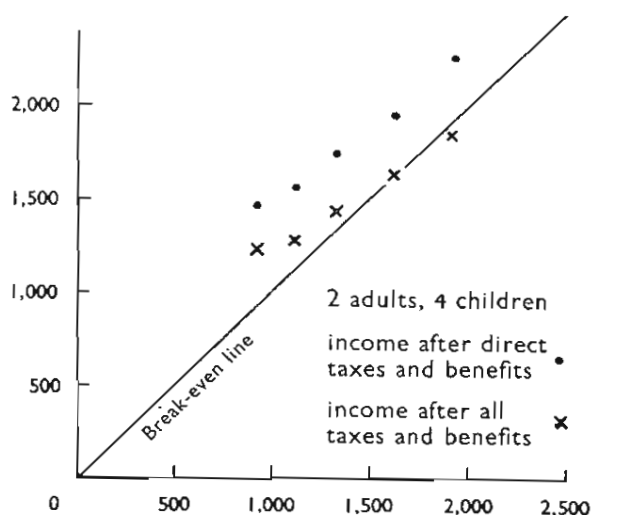
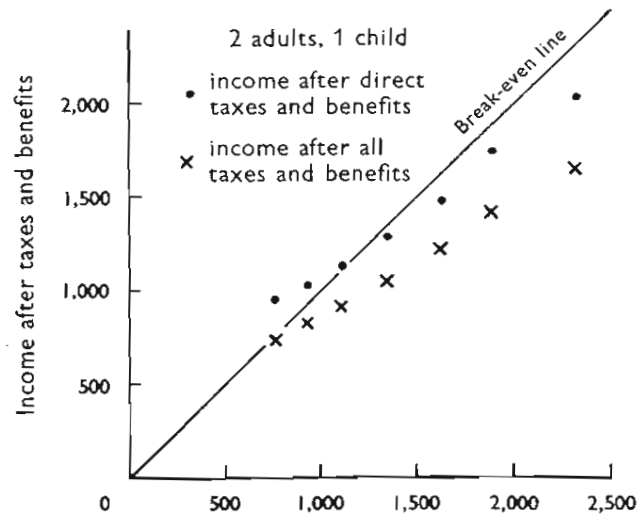
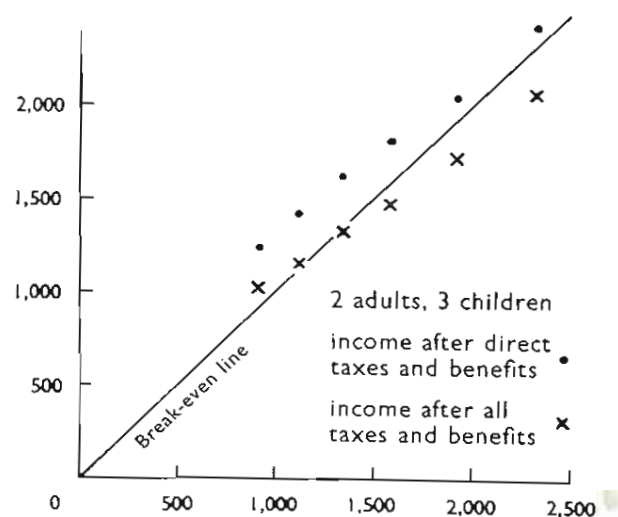
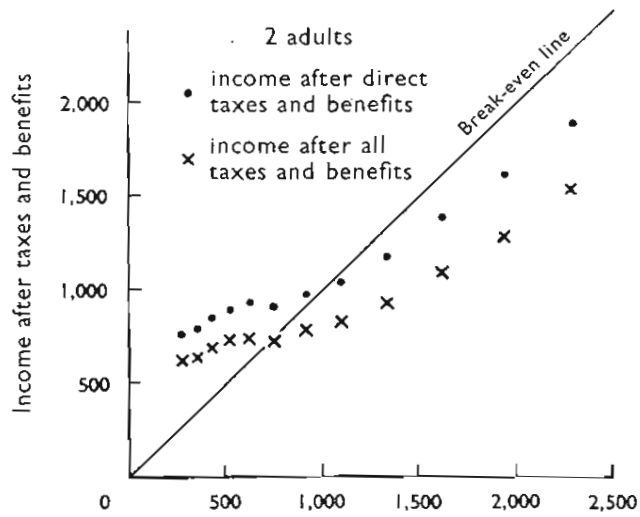
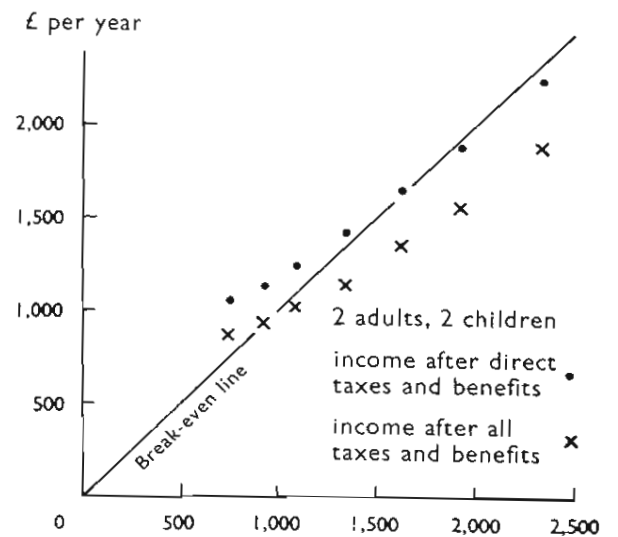
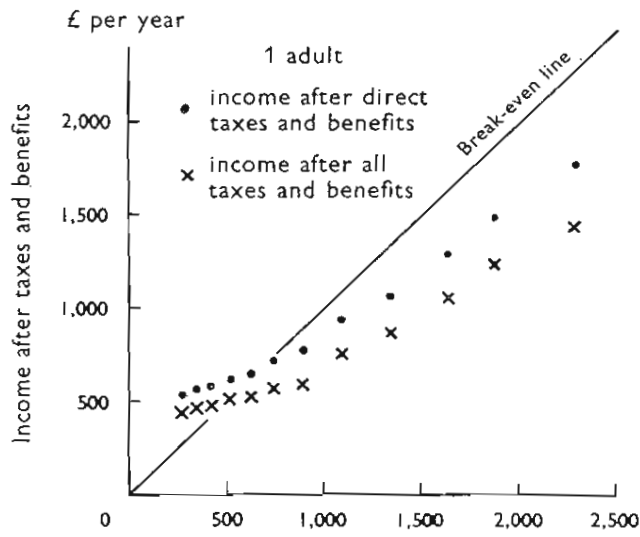
Range of original income £ per year	Pensioner households		Non-pensioner households										All house- holds			
	1 adult	2 adults	1 adult retired	2 adults retired	2 adults non- retired	2 adults 1 child	2 adults 2 children	2 adults 3 children	2 adults 4 children	3 adults retired	3 adults non- retired	3 adults 1 child		3 adults 2 children	4 adults	Others
At least	396	228	112	66	99	31	12	6	2	2	13	1	2	2	40	1,014
Less than	216	2	26	8	30	6	1	1	1	1	1	1	2	2	2	76
216	260		22	12	20	20	1	1	1	4	4	2	1	1	6	87
315	315		17	20	22	20	5	3	2	2	2	2	1	2	2	96
382	460		17	17	33	25	4	2	2	3	2	2	1	2	4	116
460	559		14	31	27	29	3	2	1	1	3	2	1	1	11	125
559	676		12	54	21	45	7	6	7	2	13	1	2	1	14	186
676	816		16	49	14	78	26	27	9	3	15	4	1	1	16	263
816	988		5	58	18	130	46	48	26	1	24	4	3	2	25	403
988	1,196		5	63	7	185	118	111	50	5	46	18	5	7	28	671
1,196	1,448		4	59	8	244	186	202	85	2	71	42	18	8	45	1,007
1,448	1,752		3	23	5	237	132	144	71	1	75	31	15	13	41	815
1,752	2,122		4	19	9	225	118	139	61	1	120	47	29	24	52	860
2,122	2,566		1	11	3	161	52	64	27	1	117	48	26	44	67	626
2,566	3,104		2	8	1	62	30	39	14	1	67	40	15	50	66	400
3,104	3,770			2	1	29	11	11	8		38	14	4	29	62	211
3,770	4,545			1	3	18	5	12	2		21	10	4	16	30	125
4,545	5,502			1	1	10	2	4	2		7	7	2	7	16	53
5,502	6,656		1	1	1	4	3	2	1		8	1	3	3	2	27
6,656	8,055			1	1	1	1	1	1		1	1	1	1	3	9
8,055	9,745			1	1	1	1	1	1		1	1	1	1	1	7
9,745	11,791															3
11,791	14,266					2	1				1				1	1
14,266	17,264															3
17,264	20,888															
All income ranges..	396	230	262	503	324	1,563	764	825	371	135	41	633	267	127	533	7,184

(1) For definition of pensioner, retired and non-retired households, see Section V.

CHART 2

Original income and income after taxes and benefits

1968



Original income £ per year

Original income £ per year

