

Personal Incomes of UK Tax-Payers in 2007/08 – Survey of Personal Incomes

Background

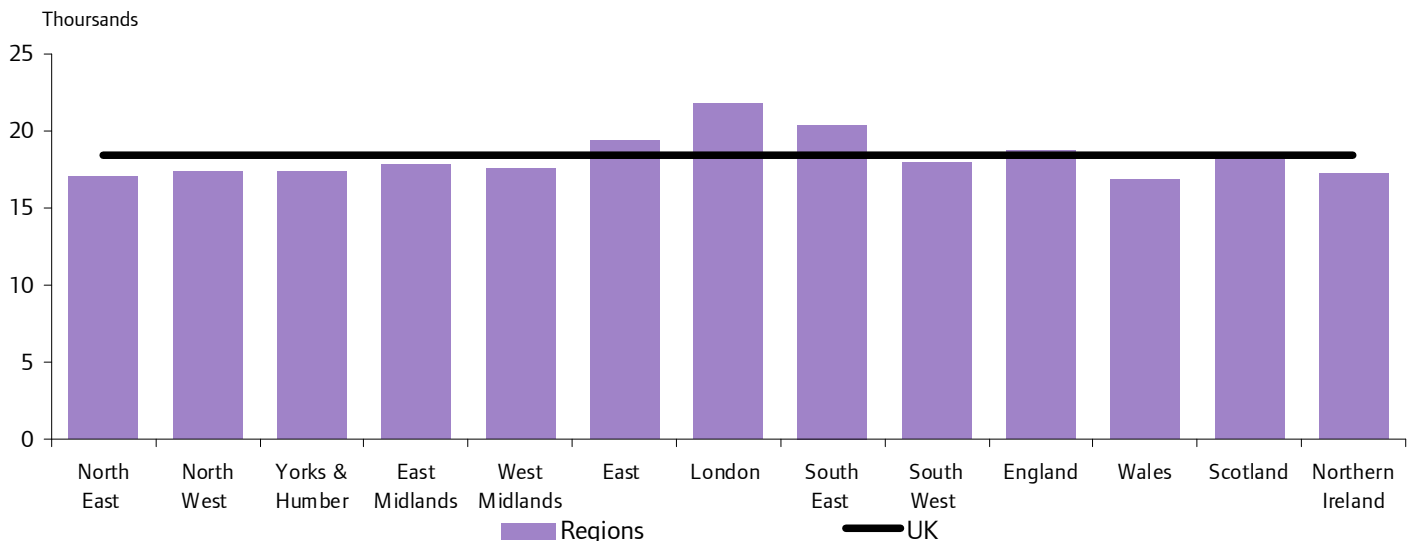
Each year, Her Majesty's Revenue and Customs analyses a sample of records of individuals' incomes assessable for tax. This *Update* presents some of the results for the tax year 2007/08 for tax-payers with an address in London, along with contextual national and historical data. Non-tax payers are not included in the dataset.

It is important to note that the results are drawn from a sample survey and as such, are subject to random error caused by sampling. All sub-regional figures in this *update* are presented with 95 per cent confidence intervals attached.

Results

Chart 1 shows that the median total income of a UK tax-payer resident in London was £21,800, compared with the UK figure of £18,500. The South East had the second highest median income at £20,400, whilst the North East had the lowest at £17,100. The median refers to the middle value when all values are ordered from highest to lowest and is commonly used in income analysis. This is because income distributions are typically skewed with large numbers of smaller incomes and relatively few very high incomes which have a disproportionate effect on the mean. The mean figure for total annual income in London was over 70 per cent higher than the median at £37,400. For this reason, the remainder of this update will refer to median values when discussing both income and tax levels.

Chart 1: Total income of UK tax-payers, 2007/08



Source: *Survey of Personal Incomes, HMRC, 2007/08*

Table 1 shows that London had the third highest annual figure among those paying tax on self-employed income at £11,000 behind the East and South East regions. Self employed income in this context is profit chargeable under the income tax Act 2005, less losses brought forward and capital allowances allowed. Employment income includes all pay from employment, taxable benefits and unemployment benefit - income support or Jobseeker's Allowance. London's annual employment

income was £21,600 in 2007/08, by far the highest of any region and almost £4,000 higher than the UK figure. Pension income in London was £10,100, second highest behind the South East at £10,400.

Median total tax paid on income by those residing in London was £3,140, the highest of any region. Tax as a proportion of total income was also highest in the capital at 14.5 per cent, compared with 13 per cent for the UK.

Table 1: Annual median personal income by source of income¹, 2007/08

	Self- employment income	Employment income	Pension income	Total income	Total tax
North East	9,380	16,700	9,360	17,100	2,160
North West	9,560	16,700	9,600	17,400	2,210
Yorks & Humber	9,770	16,600	9,550	17,400	2,200
East Midlands	10,300	17,000	9,460	17,900	2,300
West Midlands	9,970	16,900	9,330	17,600	2,260
East of England	11,700	18,400	10,000	19,400	2,610
London	11,000	21,600	10,100	21,800	3,140
South East	11,200	19,200	10,400	20,400	2,810
South West	9,980	16,800	9,670	18,000	2,310
England	10,500	17,900	9,770	18,700	2,480
Wales	9,420	16,100	9,540	16,900	2,090
Scotland	10,600	17,400	9,830	18,200	2,390
Northern Ireland	10,100	16,400	9,510	17,300	2,210
United Kingdom	10,400	17,700	9,770	18,500	2,430

Source: Survey of Personal Incomes, HMRC, 2007/08

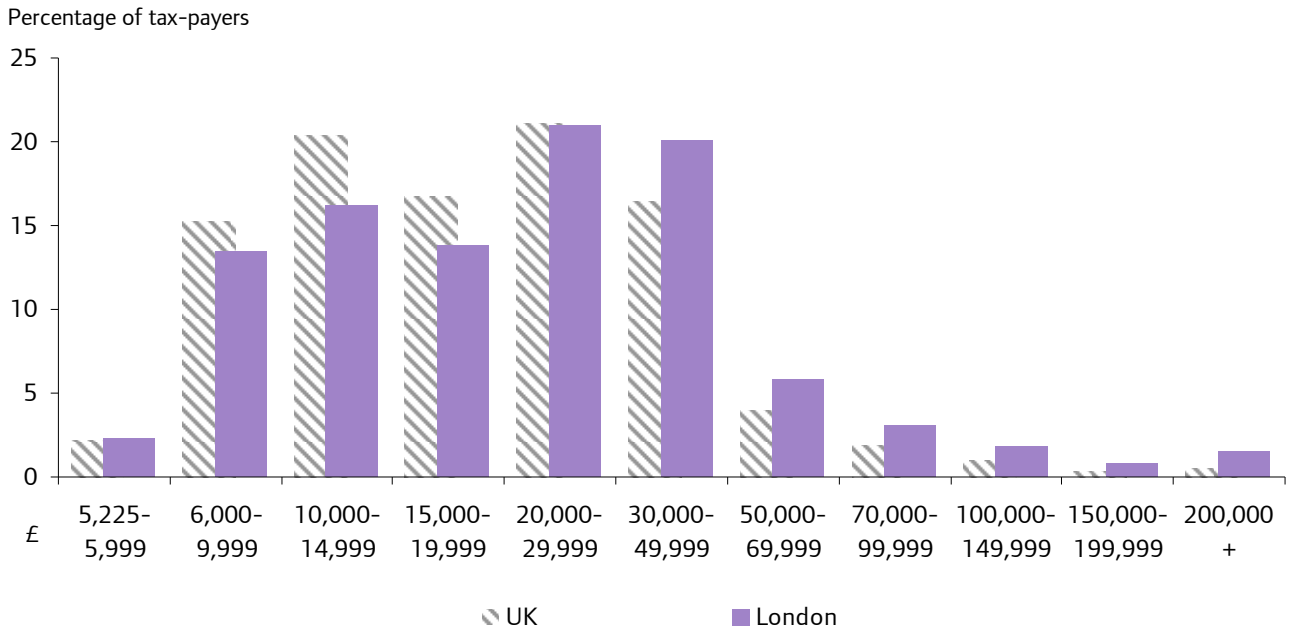
Chart 2 shows the distribution of total income across selected bands for London and the UK. Almost 55 per cent of UK tax-payers had a total annual income between £5,225² and £20,000, compared with 46 per cent in London. In contrast, a greater proportion of London tax-payers had total annual incomes which exceed £50,000 (13 per cent) than UK tax-payers (8 per cent). Furthermore, the proportion of London resident tax-payers with a total annual income in excess of £100,000 was 4 per cent, more than double the rate for the rest of the UK.

Overall, there was a greater proportion of tax paying individuals in the UK than in London for each band of total annual income up to £30,000. However, for those with an annual income greater than £30,000, through to those with an annual income in excess of £200,000, the proportion of tax paying individuals with in each band was higher in London than the UK.

¹ Each type of income is independent from the others and as such, columns one to four do not sum to the total income figure.

² The personal allowance for 2007/08 was £5,225. This is the upper limit of income an individual can declare without paying income tax. Individuals with incomes below this threshold are not included in the tables.

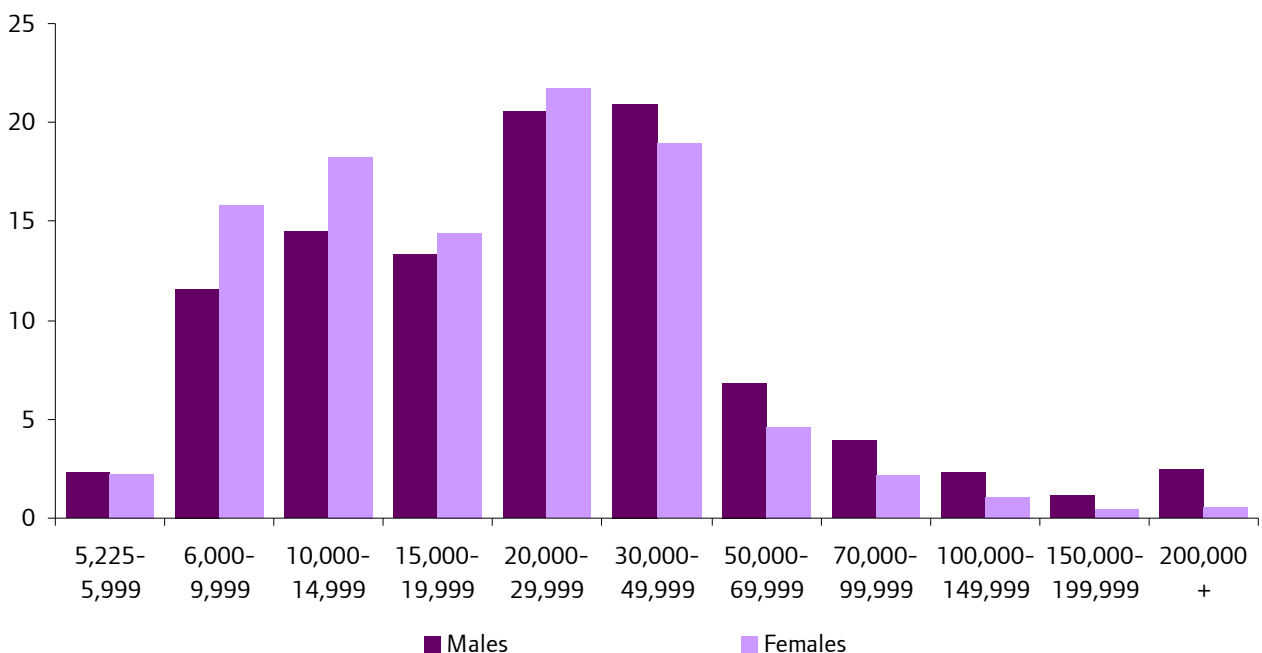
Chart 2: Distribution of total annual income across selected income bands, 2007/08



Source: Survey of Personal Incomes, HMRC, 2007/08

Chart 3 shows the distribution of total income across selected bands for males and females in London. The median income for males is just over half of female tax-payers in London have a total annual income between £5,225 and £20,000, compared with 42 per cent of male tax-payers. The proportion of female tax-payers in this bracket is significantly lower than the UK average (66 per cent). At the opposite end of the income scale six per cent of male tax-payers in London have a total annual income in excess of £100k, three times greater than the female figure of two per cent. The proportion of males with an income in excess of £50k per year is 17 per cent, almost twice as great as that for female tax payers (9 per cent).

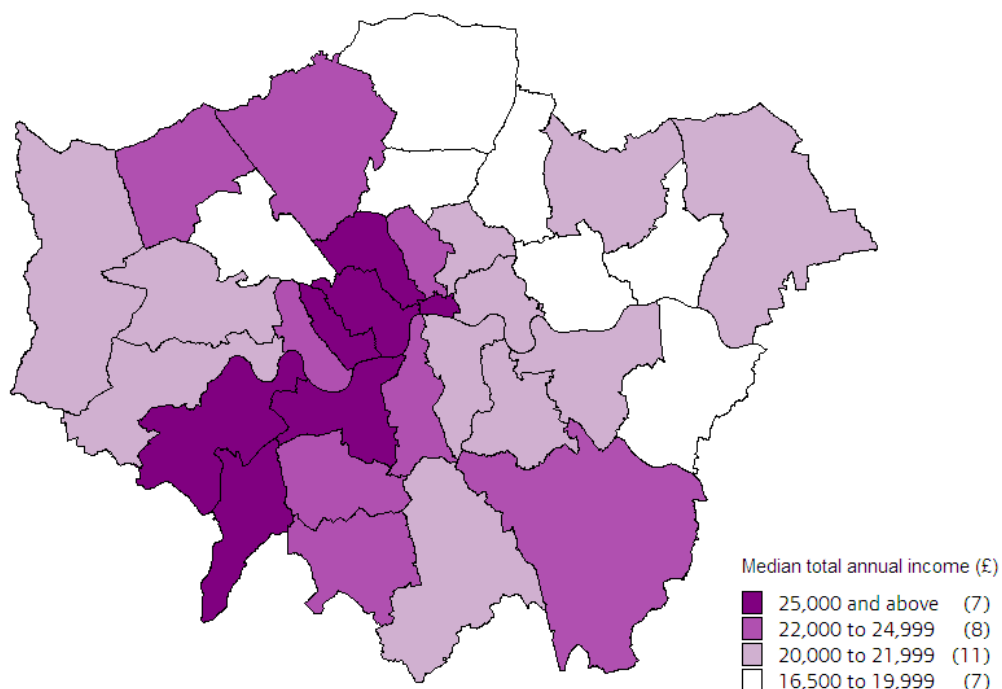
Chart 3: Distribution of total annual income across selected income bands, by gender, London, 2007/08



Source: Survey Personal Incomes, HMRC, 2007/08

Map 1 shows median total annual income by London borough in 2007/08. Excluding the City of London, Kensington & Chelsea had the highest annual total income at £31,900, followed by Westminster (£29,200) and Richmond upon Thames (£29,100). These were also the three highest ranked local authorities in England. In total, six boroughs had total annual incomes in excess of £25,000, with Camden, Wandsworth and Kingston upon Thames joining those already mentioned. All six featured in the top ten highest local authority incomes in England. Newham had the lowest annual income in London at £16,500, followed by Waltham Forest (£18,200) and Brent (£18,300). A further four boroughs (Barking & Dagenham, Bexley, Enfield and Haringey), also had total annual incomes below £20,000. The lowest median income of any UK local authority was in Moyle (Northern Ireland) at £13,500.

Map 1: Median total annual median income, by borough, 2007/08



© Crown copyright. All rights reserved (LA100032379) (2008)

Source: Survey of Personal Incomes, HMRC, 2007/08

Table 2 shows total annual income by source of income for the London boroughs, along with total tax paid. At £5,680 per year, tax-payers in Kensington & Chelsea pay both the highest amount of tax and the joint highest proportion of their total income as tax per year of all London boroughs (16 per cent). Westminster tax-payers were the next highest at £4,960, which also equates to 16 per cent of total annual income. Tax payers in Newham paid both the smallest amount in tax per year at £2,330 and the smallest proportion of total income as tax at 13 per cent.

With the exception of the City of London, tax-payers in Westminster had the highest total annual income derived from self-employed earnings at £14,300, more than £3,000 higher than the London figure and almost £4,000 higher than the UK average. Sutton had the second highest total at £13,400, whilst Tower Hamlets had the lowest at £8,960, almost 20 per cent lower than the London total.

Table 2: Annual median personal income by type of income³, by borough, 2007/08

£

	Self-employment income			Employment income			Pension income			Total income			Total tax		
	Self-employment income	Lower 95% CI	Upper 95% CI	Employment income	Lower 95% CI	Upper 95% CI	Pension income	Lower 95% CI	Upper 95% CI	Total income	Lower 95% CI	Upper 95% CI	Total tax	Lower 95% CI	Upper 95% CI
City of London	64,900	35,700	87,200	53,100	48,000	64,600	14,300	8,590	36,100	58,500	50,200	71,900	13,600	10,200	18,200
Barking & Dagenham	10,500	9,240	12,700	19,100	18,100	20,400	8,980	8,200	10,200	18,600	17,500	19,500	2,540	2,230	2,760
Barnet	10,900	9,850	12,300	20,300	19,300	21,300	9,360	8,870	10,100	22,000	21,000	23,000	3,120	2,920	3,330
Bexley	12,900	11,600	15,200	20,700	19,300	22,100	10,100	9,410	10,600	19,800	18,900	20,700	2,710	2,570	2,950
Brent	10,500	9,590	11,500	17,900	17,200	18,700	9,200	8,440	9,910	18,300	17,600	19,000	2,510	2,360	2,640
Bromley	12,000	10,100	13,400	23,100	21,500	24,000	11,500	10,600	12,300	23,200	22,500	24,400	3,420	3,180	3,660
Camden	12,900	10,200	15,900	25,400	23,900	26,700	11,400	9,920	12,400	26,900	25,600	28,400	4,160	3,850	4,450
Croydon	10,600	9,610	12,000	20,900	19,700	22,000	11,500	10,200	12,200	20,900	20,000	21,900	2,960	2,810	3,170
Ealing	9,840	8,980	10,700	20,700	19,300	22,000	9,340	8,740	10,400	20,200	19,200	21,400	2,800	2,620	3,090
Enfield	9,980	8,720	11,300	19,700	18,600	20,400	9,680	8,980	10,600	19,900	19,100	20,500	2,740	2,560	2,940
Greenwich	10,800	9,460	12,400	20,700	19,800	22,100	10,100	9,270	11,300	20,500	19,800	21,600	2,940	2,720	3,140
Hackney	10,800	8,850	12,000	20,700	19,400	22,000	9,140	7,700	10,200	20,900	19,800	22,100	3,080	2,790	3,290
Hammersmith & Fulham	9,540	8,170	11,300	23,100	21,700	24,900	9,530	8,690	10,200	23,600	22,300	25,300	3,490	3,190	3,730
Haringey	10,200	9,130	11,400	19,400	18,100	20,200	9,890	9,150	10,600	19,800	18,600	20,600	2,750	2,550	2,940
Harrow	11,700	9,770	13,300	20,900	19,900	22,200	10,200	9,010	11,600	22,100	21,100	23,200	3,230	2,970	3,410
Havering	13,300	11,900	14,800	21,300	19,800	22,200	10,000	9,410	11,000	20,800	19,700	22,000	2,920	2,720	3,140
Hillingdon	11,800	10,200	12,900	21,700	20,200	23,000	10,700	9,290	11,600	21,800	20,400	23,000	3,120	2,880	3,340
Hounslow	10,400	9,690	12,100	20,700	19,600	21,700	10,100	9,500	11,400	20,400	19,400	21,300	2,850	2,630	3,020
Islington	12,200	10,600	14,000	23,400	22,000	25,100	9,140	8,500	10,200	24,400	23,200	26,000	3,660	3,430	4,010
Kensington & Chelsea	11,500	9,080	14,600	29,100	26,500	31,500	9,380	8,350	10,300	31,900	30,000	34,400	5,170	4,540	5,680
Kingston upon Thames	11,600	9,810	13,900	25,000	22,800	26,100	11,800	10,400	13,900	25,200	23,800	26,600	3,800	3,510	4,030
Lambeth	10,800	9,750	11,900	22,600	21,100	24,200	9,340	8,750	10,000	22,200	20,800	23,700	3,290	2,980	3,510
Lewisham	10,900	9,130	12,300	21,000	20,000	22,000	9,720	8,820	10,700	21,000	20,100	21,900	3,020	2,870	3,230
Merton	11,400	9,980	13,100	22,500	20,800	24,400	11,400	10,200	12,400	22,300	21,200	24,200	3,250	2,990	3,570
Newham	10,000	9,120	11,300	17,500	16,300	18,800	9,300	8,690	10,300	16,500	15,300	17,600	2,130	1,860	2,330
Redbridge	11,000	9,560	11,800	22,500	20,600	23,500	10,100	9,270	11,400	21,600	20,400	22,700	3,070	2,880	3,300
Richmond upon Thames	12,100	10,100	14,000	28,400	26,400	29,800	11,900	10,800	12,800	29,100	27,900	30,500	4,590	4,250	4,840
Southwark	11,700	10,300	12,700	21,900	20,800	23,000	9,300	8,400	10,100	21,900	20,900	23,000	3,180	2,970	3,410
Sutton	13,400	10,600	15,500	23,000	22,200	24,800	10,600	9,460	11,500	22,500	21,900	23,400	3,320	3,110	3,510
Tower Hamlets	8,960	7,110	10,100	21,400	20,200	23,000	9,150	7,830	10,200	21,200	20,200	22,400	3,080	2,810	3,300
Waltham Forest	9,740	8,850	10,900	18,800	17,500	20,000	8,990	8,580	10,100	18,200	17,300	19,000	2,420	2,240	2,580
Wandsworth	11,400	9,580	12,700	25,700	24,400	26,900	10,400	9,010	11,400	26,100	25,200	27,400	4,030	3,760	4,280
Westminster	14,300	11,100	17,000	27,000	25,000	29,000	9,820	8,900	11,200	29,200	27,400	30,900	4,590	4,210	4,960

Source: Survey of Personal Incomes, HMRC, 2007/08

³ Each type of income is independent from the others and as such, self-employment income, employment income and pension income do not sum to the total income figure.

Those paying tax and resident in Kensington & Chelsea had the highest incomes from employment at £29,100, followed by those in Richmond upon Thames at £28,400. This compares with £21,700 in London and £17,700 in the UK. Those in Newham had incomes from employment of £17,500, the lowest of any London borough, but still marginally higher than the UK figure.

Of those tax-payers deriving income from pensions in London, those in Richmond had the highest annual income at £11,900 followed by Kingston (£11,800) and Croydon (£11,500). Tax-payers in Barking and Dagenham had the lowest annual income from pensions at £8,980, followed closely by those in Waltham Forest at £8,990.

Background to the Survey

Altogether, the Survey of Personal Incomes was based on a sample of 600,000 tax records nationally, representing over 32 million UK tax payers. Samples were taken from three HMRC operational IT systems which are as follows:

- COP - this covers all employees and occupational or personal pension recipients with a PAYE record.
- CESA - this covers the self assessment population.
- Claims – this covers people without COP or CESA records who have had too much tax deducted at source and claim repayment.

The 95 per cent confidence intervals attached to the data vary in width from 7 to 15 per cent of total income estimates at borough level and 0.5 to 1.2 per cent at regional level.

For more information please contact Richard Walker, Intelligence Unit,
Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA
Tel: 020 7983 4699 e-mail: richard.walker@london.gov.uk

Data produced in this briefing have been reproduced with the permission of the Controller of Her Majesty's Stationery Office and are © Crown Copyright.