

## Key Arguments:

1. Have already paid more tax in 2005 to the US (federal & CA) and UK governments than a full year resident of California would have paid.
2. The IRS offers the Foreign Tax Credit against taxes paid to foreign governments; the state of California does not
3. Since California does not recognize either the Foreign Earned Income exclusion or the Foreign Tax Credit, someone who has lived in a higher-tax country can pay more tax than someone living as a full year resident of California
4. The exchange rate does not offer a true picture of “ability to pay” which is the basis of progressive taxation

# Paying taxes in the UK:

Taxation in the United Kingdom comes from two different levels of government: The Central Government (Her Majesty's Revenue and Customs) and local government, which for the individual involves paying council tax to the council in which one resides.

## Personal Taxes:

### Income Tax

Taxed on earnings from employment through Pay As You Earn (PAYE) which deducts the appropriate amount of tax determined by the employee's expected tax allowances, exemptions and reliefs, and partly by tax tables that determine the amount of tax to be deducted for the salary or wage paid to the employee

### National Insurance

National Insurance is a contributory system of insurance funding the National Health Service (NHS), unemployment insurance and other benefits.

### Council Tax

Council Tax is the system of local taxation used in England, Scotland and Wales to part fund the services provided by local government in each country. The basis for the tax is residential property and is paid by homeowners and renters. It provides for services such as police, fire, recycling, schools, parks, subsidizing of public transport, social housing grants, environmental health and food safety, planning services, flood defenses, and many others.

# UK Tax Paid 2005

	<b>Income Tax</b>	<b>National Insurance<sup>~</sup></b>	<b>Council Tax*</b>
Jan-05	£487.77	£247.62	£110.24
Feb-05	£487.56	£247.62	£110.24
Mar-05	£487.79	£247.62	£110.24
Apr-05	£514.17	£256.12	£110.24
May-05	£512.78	£256.12	£110.24
Jun-05	£513.69	£256.12	£110.24
Jul-05	£513.69	£256.12	£110.24
Aug-05	£513.48	£256.12	£110.24
Sep-05	£508.65	£255.90	£110.24
<b>Total:</b>	<b>£4,539.58</b>	<b>£2,279.36</b>	<b>£992.16</b>

<b>Value in U.S. dollars:</b>			
Income Tax	£4,539.58	x \$1.82 =	\$8,262.04
National Insurance	£2,279.36	x \$1.82 =	\$4,148.44
Council Tax	£992.16	x \$1.82 =	\$1,805.73

**Subtotal:** \$14,216.20  
**UK 2005 Television license fee<sup>^</sup>:** \$230.20 (£126.5 x 1.82)

Total tax paid to the UK government 2005: \$14,446.40

\*Paid to Haringey council in London Jan-Apr 2005 (Tax band D), paid to Hounslow council in London May-Sep 2005 (Tax band C)

<sup>~</sup>Not including contributions to the state pension (opted out)

<sup>^</sup>One must have a television license to legally receive any broadcast television service, from any source. This is the equivalent to being forced to pay a tax to watch the local ABC, NBC and CBS affiliates.

# Tax paid by a full-year CA resident

## Income: \$69,956

U.S. federal taxes:	\$12,109
Medicare:	\$1,014
CA state tax:	\$4,479
CA-SDI:	\$770
<b>Total Tax Burden:</b>	<b>\$18,372</b>

Total tax burden is 26% of total income earned

^Not including Social Security, assuming standard deduction

# Tax paid by Robin Lake in 2005 to date

Resident UK (Jan-Sep 05) and CA (Sep-Dec 05)  
Worldwide Income: \$69,956

U.S. federal taxes:	\$2,901
Medicare:	\$394
CA state tax:	\$679
CA-SDI:	\$293
Tax paid UK government	\$14,162
<b>Total Tax Paid to Date:</b>	<b>\$18,429</b>

I have already paid \$57 MORE than a full year CA resident!

Paid 33% of total UK source income in taxes to the UK government -  
a higher percentage of income than California/federal tax combined!

^Not including Social Security and UK State pension

# But the FTB wants even more

## Worldwide Income: \$69,956

U.S. federal taxes:	\$2,901
Medicare:	\$394
CA state tax:	\$679
CA-SDI:	\$293
Tax paid UK government	\$14,162
Additional tax assessed by FTB:	\$1,118
<b>Total Tax Proposed:</b>	<b>\$19,547</b>

I will then pay \$1118 than a full year CA resident! (not including interest)

Surely I am entitled to a Foreign Tax Credit, as would be the case with the IRS. Why would a part-year resident of California have a bigger overall tax burden than a full-year resident?

^Not including Social Security and UK State pension

# Legal basis of the California method

*Appeal of Dennis L. Boone, Oct 28 1993*

- Non-resident member of the military; did not include wife's income in determining tax rate on her income earned in California
- Income was earned in the US, paid in the US dollars
- Mr. Boone and his wife did not pay more tax than a couple who were resident for a full year in California

*Appeal of Louis N. Million, May 7 1987*

- Worked for 7 months in Hong Kong (highest tax rate 17% for top earners)
- Worked in Saudi Arabia for a month and a half (Saudi government does not levy income tax)
- Louis Million would NOT have paid more income tax if he was a full-year resident of California

# Purchase Power Parity

**Purchasing Power Parity (PPP) is an economic technique used when attempting to determine the relative values of two currencies.** It is useful because often the amount of goods a currency can purchase within two nations varies drastically, based on availability of goods, demand for the goods, and a number of other, difficult to determine factors. PPP solves this problem by taking some international measure and determining the cost for that measure in each of the two currencies, then comparing that amount.

Perhaps the most famous example of purchasing power parity was given by *The Economist* magazine as the Big Mac index. Using the Big Mac index, the cost of a McDonald's Big Mac sandwich can be determined in a number of countries, and then an exchange rate can be concluded based on this index. For example, if a Big Mac costs \$3 US Dollars (USD) in the US, and 9,000 riel in Cambodia, the exchange rate can be determined as \$1 USD for 3,000 riel. This indexed exchange rate would then be used to determine relative value of other items.

**One of the primary uses of PPP is in lessening the misleading effects of shifts in a national currency.** This is particularly an issue when calculating a nation's Gross domestic Product (GDP). For example, if the riel falls in value to 80% of its value on the dollar, the GDP as expressed in US dollars will also drop to 80%. This does not accurately reflect the standard of living in that country (a common use of GDP), however, **because the devaluation of the riel is most likely due to international trade issues that will not yet have had any effect on the average Cambodian. By using purchasing power parity, however, one is not misled by the temporary devaluation of the riel in relation to the dollar — a Big Mac still costs 9,000 riel in Cambodia and \$3 USD in the US, and so the Big Mac index exchange rate remains the same.**

# Drawbacks to Using the Exchange Rate

Exchange rates vary from day to day and sometimes change abruptly - perhaps because of speculation against a currency or because of changes in interest rates.

If GDP is converted into a common currency using exchange rates, the size of a country's economy can also appear to vary from day to day and undergo abrupt shifts for reasons that have nothing to do with the actual levels of economic activity in that country.

A second disadvantage is that exchange rates do not simply reflect the relative prices of goods and services (or the value of one's salary!) produced in a country - they are affected by the relative prices of tradable goods and by factors such as interest rates, financial flows etc.

So the use of exchange rates to convert a service such as a haircut may give misleading results and the PPP approach is preferred conceptually in such cases.

# What About an Average Exchange Rate?

PPP converted GDPs make better economic sense than do exchange rate converted GDPs.

Exchange rate fluctuations can make it appear that countries (or one's salary) have suddenly become "richer" or "poorer" even though in reality there has been no change in the volumes of goods and services produced, or the ability of a taxpayer to pay for such goods and services

A moving average of exchange rates does not provide a more plausible picture. For example, if we consider the GDP for Japan as a percentage of that for the USA in 1985, 1990, 1993, 1996 and 1999, the PPP-converted data show a fairly steady relationship between the GDP for the two countries, which is to be expected given that the rates of growth in their GDP were not hugely different over these years.

On the other hand, the exchange rate converted data show changes in the relationship of GDP between the two countries which are economically implausible. Even using a 5-year moving average of the exchange rates does not improve the plausibility of the relationship significantly.

# What does it mean for Robin Lake?

What is £22,285 worth in dollars according to the exchange rate?

	2003	2004	2005	2006	2007	2008	2009	2010*	<u>Variance between highest and lowest</u>
£1 =	1.6	1.79	1.82	1.79	2	1.86	1.57	1.54	
£22,285	\$35,656	\$39,890	\$40,559	\$39,890	\$44,570	\$41,450	\$34,987	\$34,319	\$10,251 23%

Source: IRS

\*Rate of exchange Feb 22, 2010

In 2010, a person earning £22,285 living in the UK would not have experienced a significant decline in their standard of living from 2007, in spite of their currency declining -23% against the U.S. dollar.

The UK has only experienced 3.5% inflation during the same period.

The value of £22,285 is worth relatively the same during this 7 year period for someone living in the UK, yet the value of this income would differ significantly to someone earning the dollar value in California, and could result in a state tax assessment of nearly \$900 at the highest level.

# What does it mean for Robin Lake?

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# What does it mean for Robin Lake?

What is \$44,232 worth in the UK: exchange rate versus PPP

	2003	2004	2005	2006	2007	2008	2009	
Exchange Rate \$= £	0.6125	0.5462	0.5500	0.5435	0.4998	0.5440	0.6419	<u>Variance between highest and lowest</u> £6,145 28%
	£26,478	£23,612	£23,778	£23,496	£21,606	£23,517	£27,751	
Purchase Power Parity	0.6412	0.6324	0.6362	0.6420	0.6563	0.6624	0.6614	£1,255 5%
	£27,720	£27,339	£27,502	£27,754	£28,372	£28,638	£28,594	
Difference:	£1,242	£3,727	£3,725	£4,258	£6,766	£5,121	£843	£5,923 703%

Source OECD

According to PPP, in 2005 I would have had to earn £3,725 in the UK or \$6,780 (£1=\$1.82) to have the same purchasing power as someone earning \$44,232 and living in California

As you can see, PPP also offers a stable measure to value dollar income across the past 7 years, while the \$ to £ exchange rate differs by 28%.

# It simply costs more to live there

	<u>UK</u>	<u>U.S.</u>	<u>% Difference</u>
1 Median House Price	\$347,183	\$240,182	45%
2 Gallon of Gas	\$7.00	\$2.27	208%
3 Big Mac	\$3.44	\$3.06	12%
4 1 Week Groceries	\$309	\$220	40%
5 Movie Ticket	\$15.47	\$10.00	55%
6 Music CD	\$15.99	\$11.81	35%
7 Cup of Coffee	\$2.93	\$2.55	15%
8 Bus or Subway Ride	\$4.00	\$1.36	194%

Sources:

1. UK: Survey of Mortgage Lenders; US: US Census Bureau
2. UK: Car and Auto Magazine; US: US Energy Information Administration
3. US & UK: The Economist Big Mac Index
4. UK: Grocer Countrywide Survey; US: Official USDA Food Plans
- 5-8. US & UK: Mercer Cost of Living Survey comparing New York and London

EMPLOYEE NUMBER L2227026 COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT	DEDUCTIONS	AMOUNT
BASIC PAY			2666.67	TAX NAT. INS A	487.77 247.62
			B/FORWARD		

TOTAL HOURS	TOTAL PAY	2666.67	TOTAL DEDUCTIONS	735.39
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YEAR TO DATE	ACCUMULATIONS
Tax Year To Date	
GROSS PAY	26666.70
TAXABLE PAY	26666.70
TAX	4876.47
This Employment	
GROSS PAY	26666.70
STUDENT LOAN	
TAXABLE PAY	26666.70
TAX	4876.47
EES NI	2476.20
ERS NI	2907.70
TAX CREDIT	
Previous Employment	
TAXABLE PAY	
TAX	

ADDITIONAL INFORMATION	
PAY DATE	20/01/2005
TAX PERIOD	10
PAY METHOD	BACS
TAX CODE	000429L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	290.77

C/FORWARD	
TAX CREDIT	
NET PAY	1931.28

2005  
19K  
Tax Paid

BASIC PAY	2666.67	TAX	487.56
		NAT. INS A	247.62
		S/TCKT LOAN	100.00
B/FORWARD			
TOTAL HOURS	TOTAL PAY	2666.67	TOTAL DEDUCTIONS
			835.18

YEAR TO DATE		ACCUMULATIONS	
	Tax Year To Date	S.TCKT LOAN	900.00
GROSS PAY	29333.37		
TAXABLE PAY	29333.37		
TAX	5364.03		
	This Employment		
GROSS PAY	29333.37		
STUDENT LOAN			
TAXABLE PAY	29333.37		
TAX	5364.03		
EES NI	2723.82		
ERS NI	3198.47		
TAX CREDIT			
	Previous Employment		
TAXABLE PAY			
TAX			

ADDITIONAL INFORMATION	
PAY DATE	18/02/2005
TAX PERIOD	11
PAY METHOD	BACS
TAX CODE	000429L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	290.77

C/FORWARD	
TAX CREDIT	
NET PAY	1831.49

EMPLOYEE NUMBER L2227026 COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT	DEDUCTIONS	AMOUNT
BASIC PAY			2666.67	TAX	487.79
				NAT. INS A	247.62
				S/TCKT LOAN	100.00
			B/FORWARD		
<b>TOTAL HOURS</b>		<b>TOTAL PAY</b>	<b>2666.67</b>	<b>TOTAL DEDUCTIONS</b>	<b>835.41</b>

YEAR TO DATE	ACCUMULATIONS
Tax Year To Date	S.TCKT LOAN 800.00
GROSS PAY 32000.04	
TAXABLE PAY 32000.04	
TAX 5851.82	
This Employment	
GROSS PAY 32000.04	
STUDENT LOAN	
TAXABLE PAY 32000.04	
TAX 5851.82	
EES NI 2971.44	
ERS NI 3489.24	
TAX CREDIT	
Previous Employment	
TAXABLE PAY	
TAX	

ADDITIONAL INFORMATION	
PAY DATE	18/03/2005
TAX PERIOD	12
PAY METHOD	BACS
TAX CODE	000429L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	290.77

C/FORWARD	
TAX CREDIT	
<b>NET PAY</b>	<b>1831.26</b>

EMPLOYEE NUMBER L2227026

COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT
BASIC PAY			2800.00
B/FORWARD			

DEDUCTIONS	AMOUNT
TAX	514.17
NAT. INS A	256.12
S/TCKT LOAN	100.00

<b>TOTAL HOURS</b>	<b>TOTAL PAY</b>	<b>2800.00</b>
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<b>TOTAL DEDUCTIONS</b>	<b>870.29</b>
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YEAR TO DATE		ACCUMULATIONS	
Tax Year To Date		S.TCKT LOAN	700.00
GROSS PAY	2800.00		
TAXABLE PAY	2800.00		
TAX	514.17		
This Employment			
GROSS PAY	2800.00		
STUDENT LOAN			
TAXABLE PAY	2800.00		
TAX	514.17		
EES NI	256.12		
ERS NI	306.18		
TAX CREDIT			
Previous Employment			
TAXABLE PAY			
TAX			

ADDITIONAL INFORMATION	
PAY DATE	20/04/2005
TAX PERIOD	01
PAY METHOD	BACS
TAX CODE	000444L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	306.18

<b>C/FORWARD</b>
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<b>TAX CREDIT</b>
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<b>NET PAY</b>	<b>1929.71</b>
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LZ13 - THE WALT DISNEY COMPANY LTD

MISS R LAKE

EMPLOYEE NUMBER L2227026

COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT
BASIC PAY			2800.00
B/FORWARD			
<b>TOTAL HOURS</b>	<b>TOTAL PAY</b>		<b>2800.00</b>

DEDUCTIONS	AMOUNT
TAX	512.78
NAT. INS A	256.12
S/TCKT LOAN	100.00
<b>TOTAL DEDUCTIONS</b>	<b>868.90</b>

YEAR TO DATE		ACCUMULATIONS	
Tax Year To Date		S.TCKT LOAN	600.00
GROSS PAY	5600.00		
TAXABLE PAY	5600.00		
TAX	1026.95		
This Employment			
GROSS PAY	5600.00		
STUDENT LOAN			
TAXABLE PAY	5600.00		
TAX	1026.95		
EES NI	512.24		
ERS NI	612.36		
TAX CREDIT			
Previous Employment			
TAXABLE PAY			
TAX			

**ADDITIONAL INFORMATION**

PAY DATE	20/05/2005
TAX PERIOD	02
PAY METHOD	BACS
TAX CODE	000444L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

**EMPLOYERS CONTRIBUTIONS**

ERS NI CUR	306.18
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C/FORWARD

TAX CREDIT

NET PAY 1931

EMPLOYEE NUMBER L2227026

COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT
BASIC PAY			2800.00
B/FORWARD			
<b>TOTAL HOURS</b>	<b>TOTAL PAY</b>		<b>2800.00</b>

DEDUCTIONS	AMOUNT
TAX	513.69
NAT. INS A	256.12
S/TCKT LOAN	100.00
<b>TOTAL DEDUCTIONS</b>	<b>869.81</b>

YEAR TO DATE		ACCUMULATIONS	
Tax Year To Date		S.TCKT LOAN	400.00
GROSS PAY	11200.00		
TAXABLE PAY	11200.00		
TAX	2054.13		
This Employment			
GROSS PAY	11200.00		
STUDENT LOAN			
TAXABLE PAY	11200.00		
TAX	2054.13		
EES NI	1024.48		
ERS NI	1224.72		
TAX CREDIT			
Previous Employment			
TAXABLE PAY			
TAX			

ADDITIONAL INFORMATION	
PAY DATE	20/07/2005
TAX PERIOD	04
PAY METHOD	BACS
TAX CODE	000444L
NI NO.	PB919663D
NI LETTER	A
STATUS	1
PAYE REF	DF1163

EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	306.18

C/FORWARD	
TAX CREDIT	
<b>NET PAY</b>	<b>1930.19</b>

LZ13 - THE WALT DISNEY COMPANY LTD

MISS R LAKE

EMPLOYEE NUMBER L2227026

COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT	DEDUCTIONS	AMOUNT
BASIC PAY			2800.00	TAX	513.48
				NAT. INS A	256.12
				S/TCKT LOAN	100.00
B/FORWARD					
<b>TOTAL HOURS</b>		<b>TOTAL PAY</b>	<b>2800.00</b>	<b>TOTAL DEDUCTIONS</b>	<b>869.60</b>

YEAR TO DATE		ACCUMULATIONS	
Tax Year To Date		S.TCKT LOAN	300.00
GROSS PAY	14000.00		
TAXABLE PAY	14000.00		
TAX	2567.61		
This Employment			
GROSS PAY	14000.00		
STUDENT LOAN			
TAXABLE PAY	14000.00		
TAX	2567.61		
EES NI	1280.60		
ERS NI	1530.90		
TAX CREDIT			
Previous Employment			
TAXABLE PAY			
TAX			

ADDITIONAL INFORMATION

PAY DATE 19/08/2005  
TAX PERIOD 05  
PAY METHOD BACS  
TAX CODE 000444L  
NI NO. PB919663D  
NI LETTER A  
STATUS 1  
PAYE REF DF1163

EMPLOYERS CONTRIBUTIONS

ERS NI CUR 306.18

C/FORWARD

TAX CREDIT

NET PAY 1930.40

LZ13 - THE WALT DISNEY COMPANY LTD

MISS R LAKE

EMPLOYEE NUMBER L2227026

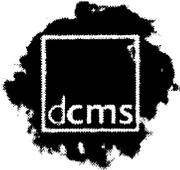
COST CODE 0005410225

PAYMENTS	HOURS	RATE	AMOUNT	DEDUCTIONS	AMOUNT
BASIC PAY			2800.00	TAX	508.65
HOLIDAY PAY			1873.85	NAT. INS A	255.90
UNDERPAYMENT			1895.38-	S/TCKT LOAN	300.00
B/FORWARD					
<b>TOTAL HOURS</b>		<b>TOTAL PAY</b>		<b>TOTAL DEDUCTIONS</b>	<b>1064.55</b>
		2778.47			

YEAR TO DATE	ACCUMULATIONS
Tax Year To Date	
GROSS PAY	16778.47
TAXABLE PAY	16778.47
TAX	3076.26
This Employment	
GROSS PAY	16778.47
STUDENT LOAN	
TAXABLE PAY	16778.47
TAX	3076.26
EES NI	1536.50
ERS NI	1834.32
TAX CREDIT	
Previous Employment	
TAXABLE PAY	
TAX	

ADDITIONAL INFORMATION	
PAY DATE	20/09/2005
TAX PERIOD	06
PAY METHOD	BACS
TAX CODE	000444L
NI NO.	PB919663D
NI LETTER	A
STATUS	3
PAYE REF	DF1163
EMPLOYERS CONTRIBUTIONS	
ERS NI CUR	303.42

C/FORWARD	
TAX CREDIT	
<b>NET PAY</b>	<b>1713.92</b>



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culture, media  
and sport

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## Tessa Jowell Announces TV Licence Fees for 2004 - 2005

127/03

The Secretary of State for Culture, Media and Sport, Tessa Jowell, today announced the television licence fee increases effective from 1 April 2004.

A colour licence will cost £121.00 and a black and white licence will cost £40.50.

The rate of increase is set according to the formula announced by the Government in February 2000, following a report on the future funding of the BBC by an independent review panel.

Tessa Jowell announced the changes today in a written statement to the House of Commons. She said:

"The television licence fee settlement announced by the Government in February 2000 provides for changes in the licence fee of RPI plus 1.5 per cent for each year from 2000-2001 to 2006-2007. This settlement is designed to enable the BBC to provide a strong and distinctive schedule of high quality programmes and remain at the forefront of broadcasting technology. The settlement includes a requirement for the Corporation to raise around £1.1 billion through efficiency savings and increased income over the same period.

"Application of the RPI figure of 2.8% for the year to September 2003, plus 1.5%, to the current unrounded licence fees produces new rounded totals of £121.00 for a colour licence and £40.50 for a black and white licence. The necessary regulations to bring these fees into force will be laid before the House in due course. The changes will come into effect from the 1 April next year."

### Notes to Editors

1. Under this formula licence fee increases for each year from 2000/01 to 2006/07 are set at the Retail Prices Index (RPI) level plus 1.5%. The increases are part of a package of measures introduced in response to the 1999 report by the independent review panel on the future funding of the BBC. They will enable the Corporation to respond to the challenges of quality broadcasting in the digital age while meeting demands for greater transparency, accountability and cost effectiveness.

**Press Enquiries: 020 7211 6052/6277**  
**Out of hours telephone pager no: 07699 751153**

**Public Enquiries: 020 7211 6200**

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# Council Tax and Business Rate for 2005-2006



How much  
it is, how  
you can pay  
and how we  
use it

[www.haringey.gov.uk](http://www.haringey.gov.uk)

**HARINGEY COUNCIL**



## This year's budget

### This year's budget

This year, from April 2005 to March 2006, we plan to spend £345.9m (net of income) on providing council services. The table and charts, opposite and overleaf, show how this spend is divided up.

### Precepts and Levies

As well as providing services directly, we give money to other organisations who provide services in the borough. These include the *Greater London Authority (GLA)*.

The money we give to the GLA helps to pay for the police, fire brigade and transport.

See pages 32-35 for information on services provided by the GLA.

### Our contributions to the GLA

04/05 £m	% of Council Tax	05/06 £m	% of Council Tax
19.7	19.2	21.2	19.2

The total amount of £6.9m to be paid to other organisations represents 2% of the total cost of services.

### Contributions to other organisations

	Amount paid 2004/05 £'000	Amount due 2005/06 £'000
Other organisations		
Environment Agency	139	154
Lee Valley Regional Park Authority	227	242
London Boroughs Grant scheme	809	805
London Pensions Fund Authority	214	224
Greater London Magistrates Court	464	-
North London Waste Authority	4,998	5,510
<b>Total Paid</b>	<b>6,851</b>	<b>6,935</b>

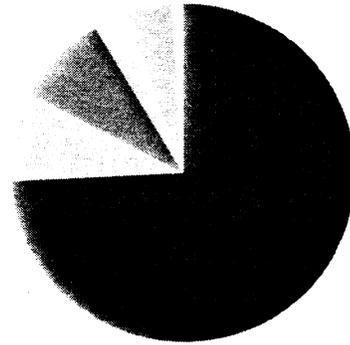


04/05 net spending £m	Service	05/06 expenditure £m	05/06 income £m	05/06 net spending £m	% of our net spending
154.3	Education	211.6	(50.2)	161.4	47.4
87.1	Social Services	155.2	(64.0)	91.2	26.8
14.0	Highways	27.2	(12.6)	14.6	4.3
0	Housing Revenue Account (council homes)	132.9	(132.9)	0	-
13.2	Other Housing	274.0	(264.5)	9.5	2.8
4.2	Planning and Economic Development	5.9	(1.3)	4.6	1.3
13.7	Recreation and Tourism	23.4	(8.4)	15.0	4.4
3.8	Environmental Health	6.0	(2.1)	3.9	1.1
10.6	Rubbish Collection	17.6	(5.9)	11.7	3.4
29.2	Other Services	50.2	(21.3)	28.9	8.5
<b>330.1</b>	<b>Spending on Services</b>	<b>904.0</b>	<b>(563.2)</b>	<b>340.8</b>	<b>100</b>
(2.5)	Use of balances			5.1	
0	Council Tax collection fund			0	
<b>327.6</b>	<b>Total cost of services</b>			<b>345.9</b>	
	<i>Income</i>				
	Revenue Support Grant (central government funding)			(182.0)	
(181.7)				(182.0)	
(62.9)	Business Rates			(74.9)	
<b>83.0</b>	<b>Amount to be raised from Council Tax</b>			<b>89.0</b>	
	Number of households in the borough (band D equivalent)			83,314	
<b>£1,017.97</b>	<b>Band D Council Tax for Haringey</b>			<b>£1,068.26</b>	
£241.33	Band D Council Tax for Greater London Authority			£254.62	
<b>£1,259.30</b>	<b>Total Band D Council Tax</b>			<b>£1,322.88</b>	



### Council Expenditure on Services 2005/06

■	Education	47.4%
■	Social Services	26.8%
■	Other Services	8.5%
■	Recreation and Tourism	4.4%
■	Highways	4.3%
■	Rubbish Collection	3.4%
■	Other Housing	2.8%
■	Planning and Economic Development	1.3%
■	Environmental Health	1.1%

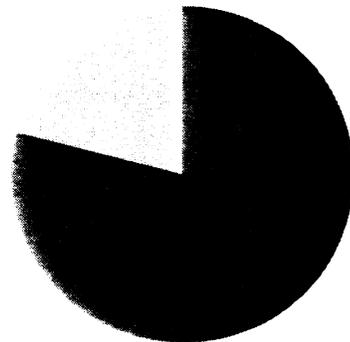


Total spending on services 2005/06

**£340.8m**

### Council Income for Services 2005/06

■	Revenue Support Grant	53%
■	Council Tax	26%
■	Business Rate	21%





Council Tax  
pays for about  
a quarter  
of the cost of  
our services to  
the borough

## Council Tax

Council Tax pays for about a quarter of the cost of our services to the borough. The rest comes from Government Grants and Business Rates.

### Who pays tax?

Council Tax is paid by home-owners and tenants.

We charge full Council Tax if there are at least two adults aged 18 or over living in a property. But we offer reduced Council Tax in many cases (see pages 11 to 15).

If you do not live in your home, but own it, or have a tenancy of six months or more, you must still pay Council Tax if your home is:

- empty
- a second home
- a care home, nursing home or hostel
- lived in by more than one household (known as 'houses in multiple occupation')
- lived in by a minister of religion or a religious community, or

- sometimes used by an employer whose staff live at the property.

If you own or rent your home jointly, each of you may be responsible for the full Council Tax. Make sure you have clear arrangements with the other owners or tenants.

### If you move

If you are moving, please let us know as soon as possible, as well as the names of the people moving into your old address so that we can change your account quickly.

Just ring us on 0845 073 3557, or write to us at:

**Benefits and Local Taxation Division**  
**P.O. Box 10505**  
**Wood Green**  
**London N22 7WJ**  
**Email [council.tax@haringey.gov.uk](mailto:council.tax@haringey.gov.uk)**

You can also call in at one of our Customer Services Centres with your details. The addresses are shown on page 38 of this booklet.



## 2005/06 Council Tax charges per valuation band

Valuation Band	Value of Home	% of Band D	GLA	Haringey	Full Council Tax Charge	10 Monthly Instalments	Weekly Charge
A	£40,000 or less	67	£169.75	£712.18	£881.93	£88.19	£16.96
B	£40,001 to £52,000	78	£198.04	£830.87	£1,028.91	£102.89	£19.79
C	£52,001 to £68,000	89	£226.33	£949.56	£1,175.89	£117.59	£22.61
D	£68,001 to £88,000	100	£254.62	£1,068.26	£1,322.88	£132.29	£25.44
E	£88,001 to £120,000	122	£311.20	£1,305.64	£1,616.84	£161.68	£31.09
F	£120,001 to £160,000	144	£367.78	£1,543.05	£1,910.83	£191.08	£36.75
G	£160,001 to £320,000	167	£424.37	£1,780.43	£2,204.80	£220.48	£42.40
H	over £320,000	200	£509.24	£2,136.52	£2,645.76	£264.58	£50.88

## Statistics Directorate

### Statistics Directorate

Prices and Purchasing Power Parities (PPP)

Price Indices

Purchasing Power Parities (PPP)

Financial Statistics

Entrepreneurship, Industry and Services Statistics

International Trade and Balance of Payments Statistics

Labour Statistics

Leading Indicators and Tendency Surveys

National Accounts

Productivity Statistics

Statistical Methodology

Statistics for Accession, Enhanced Engagement and other Non-member Economies

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[Home: Purchasing Power Parities \(PPP\)](#) > [Purchasing Power Parities \(PPPs\) Frequently Asked Questions](#)

## Purchasing Power Parities (PPP), Purchasing Power Parities (PPPs) Frequently Asked Questions

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- \* [2. What are the major uses of PPPs?](#)
- \* [3. How are PPPs calculated?](#)
- \* [4. How are PPPs calculated for GDP?](#)
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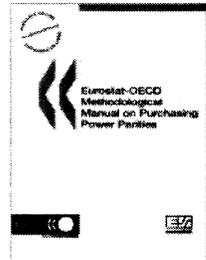
### 1. What are PPPs?

PPPs are the rates of currency conversion that equalise the purchasing power of different currencies by eliminating the differences in price levels between countries. In their simplest form, PPPs are simply price relatives which show the ratio of the prices in national currencies of the same good or service in different countries. For example, if the price of a hamburger in France is 2.84 euros and in the United States it is 2.2 dollars, then the PPP for hamburger between France and the United States is 2.84 euros to 2.2 dollars or 1.29 euros to the dollar. This means that for every dollar spent on hamburger in the United

### Don't miss

[PPP Frequently Asked Questions](#)  
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### Editor's choice



**EUROSTAT-OECD  
Methodological  
manual on  
purchasing  
power parities  
(PPPs)**



**Purchasing  
Power Parities -  
Publications**

### Statistics Brief



The March 2002 issue of the Statistics Brief gives an overview of the measurement and the uses of PPPs.

**Purchasing**

States, 1.29 euros would have to be spent in France to obtain the same quantity and quality - or, in other words, the same volume - of hamburger.

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## ***2. What are the major uses of PPPs?***

The major use of PPPs is as a first step in making inter-country comparisons in real terms of gross domestic product (GDP) and its component expenditures. GDP is the aggregate used most frequently to represent the economic size of countries and, on a per capita basis, the economic well-being of their residents. Calculating PPPs is the first step in the process of converting the level of GDP and its major aggregates, expressed in national currencies, into a common currency to enable these comparisons to be made.

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## ***3. How are PPPs calculated?***

The easiest way to see how a PPP is calculated is to consider a product which is identical in two countries. A simple example would be a litre of Coca-Cola. If it costs 2.3 euros in France and \$2.00 in America then the PPP for Coca-Cola between France and the USA is  $2.3/2.00$ , or 1.15. This means that for every dollar spent on a litre of Coca-Cola in the USA, 1.15 euros would have to be spent in France to obtain the same quantity and quality - or, in other words, the same volume - of Coca-Cola. PPPs are not only calculated for individual products; they are also calculated for various groups of products (e.g., refreshments, vegetables) where PPPs are a geometric average of price relatives of various products in the group.

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## ***4. How are PPPs calculated for GDP?***

The calculation is undertaken in two stages: first, at the product group level as described above and then, at the GDP or any aggregate levels, where the PPPs for the product groups are weighted and averaged to obtain PPPs for these levels. The weights used to aggregate the PPPs are the expenditures on the product groups.

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## ***5. What products are included in the basket of goods and services used for the calculation of PPPs?***

The basket of goods and services priced for the PPP exercise is a sample of all goods and services covered by GDP. It includes consumer goods and services, government services, equipment goods and construction projects. More specifically, consumer items include food, beverages, tobacco, clothing, footwear, rents, water supply, gas, electricity, medical goods and services, furniture and furnishings, household appliances, personal transport equipment, fuel, transport services, recreational equipment, recreational and cultural services, telephone services, education services, goods and services for personal care and household operation, repair and maintenance services.

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### ***6. How many products are included in the basket of goods and services used for the PPP calculation?***

The final products list for the 1999 comparison covered around 2,500 consumer goods and services, 34 occupations in government, education and health services, 186 types of equipment goods and 20 construction projects? The large number of price specifications is to enable as many countries as possible to identify goods and services which are representative of their domestic expenditures. However, countries are expected to provide only a relatively small subset of these prices (several hundred in general).

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### ***7. What types of prices are used in the calculation of PPPs and do the prices include taxes?***

Prices used in the calculation are market prices, i.e. the prices effectively paid by the consumers, and so they include all taxes which affect the final prices paid for products.

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### ***8. Who is responsible for calculating PPPs?***

Under the Joint OECD-Eurostat PPP Programme, the OECD and Eurostat share the responsibility for calculating PPPs. Broadly, Eurostat handles the calculations for the EU countries and for the EU "Candidate countries" (i.e. those countries which have applied for admission to the EU). The OECD deals with the non-European OECD Member countries and the other non-EU related countries such as Russia, Ukraine etc which are included in the PPP Programme.

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### ***9. What is the background to the Joint OECD-Eurostat PPP Programme?***

The Eurostat PPP Programme commenced in the 1960s to compare the relative price and GDP volume levels within the (then) European Economic Community. In the early 1980s, the Joint OECD-Eurostat PPP Programme was established to provide internationally comparable price and volume measures of GDP and its component expenditures for all the Member Countries of the OECD. Having a joint programme enabled the extent of duplication between the data requests from Eurostat and the ECD to be minimised.

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### ***10. What are the objectives of the PPP Programme?***

The PPP Programme is both a national accounts and price collection exercise. The prices are collected partly to provide international comparisons of price levels and partly as an essential step in calculating volume comparisons of GDP

and its component expenditures.

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### ***11. How often is the OECD PPP Programme conducted?***

The 2002 round, which is currently under way, is the seventh round of the OECD PPP Programme. The most recent round of the Programme for which benchmark data have been published is 1999. Previous rounds have provided PPP and real expenditures for five benchmark years - 1980, 1985, 1990, 1993 and 1996. PPPs for GDP are extrapolated both monthly and annually from the latest benchmark year. The latest annual estimates for the total PPPs and for per capita volumes of GDP are normally published by the OECD about a month or so after the end of the year to which they refer.

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### ***12. What are the drawbacks to using exchange rates to convert GDP to a common currency for making international comparisons (e.g. of production or productivity)?***

There are two major disadvantages. First, exchange rates vary from day to day and sometimes change abruptly - perhaps because of speculation against a currency or because of changes in interest rates. If GDP is converted into a common currency using exchange rates, the size of a country's economy can also appear to vary from day to day and undergo abrupt shifts for reasons that have nothing to do with the actual levels of economic activity in that country. This volatility can be overcome to some extent by using averaging devices, such as the Atlas method employed by the World Bank, although the results can be distorted if exchange rates change rapidly. A second disadvantage is that exchange rates do not simply reflect the relative prices of goods and services produced in a country - they are affected by the relative prices of tradable goods and by factors such as interest rates, financial flows etc. So the use of exchange rates to convert a service such as a haircut may give misleading results and the PPP approach is preferred conceptually in such cases. When the GDP of different countries is converted to a common currency using PPPs, they are all being valued at a common set of prices. As with a time series of GDP at constant prices, it then becomes possible to compare the underlying volumes.

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### ***13. Can average exchange rates be used as proxies for PPPs?***

PPP converted GDPs make better economic sense than do exchange rate converted GDPs. Exchange rate fluctuations can make it appear that countries have suddenly become "richer" or "poorer" even though in reality there has been no change in the volumes of goods and services produced. A moving average of exchange rates does not provide a more plausible picture. For example, if we consider the GDP for Japan as a percentage of that for the USA in 1985, 1990, 1993, 1996 and 1999, the PPP-converted data show a fairly steady relationship between the GDP for the two countries, which is to be expected given that the rates of growth in their GDP were not hugely different over these years. On the other hand, the exchange rate converted data show changes in the relationship of GDP between the two countries which are economically implausible. Even using a 5-year moving average of the exchange rates does not improve the plausibility of the relationship significantly.

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#### ***14. Should PPPs always be used rather than exchange rates in making international comparisons?***

It would be a mistake to think of PPPs as a complete substitute for exchange rates in making international comparisons. In fact, they are complementary because PPP based comparisons are useful in specific situations, such as when comparing output levels or productivity levels between countries, while exchange rate based comparisons are more appropriate in others. For example, if an analyst wanted to work out how much could be imported with the proceeds from a particular level of exports then it would be necessary to use exchange rates rather than PPPs.

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#### ***15. Can PPPs at the level of GDP be used to determine whether a currency is undervalued or overvalued?***

If the GDP PPP for a given country is higher or lower than the corresponding exchange rate, it indicates that the exchange rate understates or overstates the general price levels. This is not the same as saying a currency is undervalued or overvalued. Though PPPs appear in international trade theory in the context of equilibrium exchange rates - that is the underlying rates of exchange to which actual exchange rates are assumed to converge in the long term - the PPPs are not relevant for this purpose as they do not refer solely to domestically-produced tradeable goods and services valued at export prices. They have been calculated specifically in order to enable international price and volume comparisons to be made for GDP and its components. As such, they refer to the entire range of final goods and services which make up GDP as a whole, including many items which are not traded. Moreover, they are valued at domestic market prices and are calculated using expenditure weights that reflect domestic demand.

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#### ***16. How do I read the MEI table - Comparative Price Levels?***

[Monthly comparative price levels](#) are defined as the ratios of PPPs for private final consumption expenditure to exchange rates. The monthly PPPs used to derive the table are OECD estimates. The table is to be read vertically. Each column shows the number of specified monetary units needed in each of the countries listed to buy the same representative basket of consumer goods and services. In each case the representative basket costs a hundred units in the country whose currency is specified.

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#### ***17. Who is responsible for the quality and the accuracy of the PPP results?***

The accuracy of the PPP results depends both on the extent to which the OECD and Eurostat have used correct procedures for editing the data supplied by countries and for combining them to calculate parities at the different levels of aggregation and on the extent to which Member countries have supplied representative price data and accurate expenditure data. It is a shared

responsibility and the shared nature of the Programme has been emphasised by the extensive consultations that take place at all stages of the work from the initial definitions of the goods and services to be priced up to the final review of each country's PPP results for basic headings. Experts from participating countries have also played a major role in the periodic reviews of technical issues that have been held in the past.

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### ***18. In what situations would biases arise in PPPs?***

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There are two situations in which biases are known to arise in PPPs. The first is the "Gerschenkron effect" (see below) and the other is when a country reports prices that are not representative of its consumption patterns but classifies them as being "representative". Generally, prices which are "non-representative" tend to be higher than those which are "representative" of a country's consumption. Therefore, a country which reports non-representative prices but classifies them as "representative" will overstate its price levels and therefore understate its per capita volumes.

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### ***19. What is the "Gerschenkron effect"?***

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The Gerschenkron effect can arise with aggregation methods that use either a reference price structure or a reference volume structure to compare countries. For methods employing a reference price structure, a country's share of total GDP (that is the total for the group of countries being compared) will rise as the reference price structure becomes less characteristic of its own price structure. For methods employing a reference volume structure, a country's share of total GDP will fall as the reference volume structure becomes less characteristic of its own volume structure. The Gerschenkron effect arises because of the negative correlation between prices and volumes. In other words, expenditure patterns change in response to changes in relative prices because consumers switch their expenditure towards relatively cheap products. The EKS method, which is the main method used by the OECD-Eurostat PPP Programme, does not use either a reference price structure or a reference volume structure when estimating real expenditures.

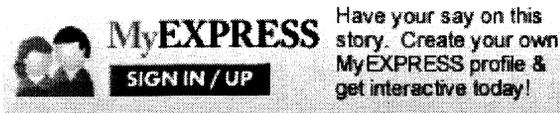
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# PRICE OF FOOD SOARS TO ALL-TIME RECORD



HIKE: Weekly shopping bill goes up by £15



Monday February 4, 2008

By Martyn Brown

☛ [Have your say\(12\)](#)

FAMILIES already struggling to make ends meet are being hit by soaring food prices.

Figures yesterday revealed that costs have rocketed by 12 per cent in the last year alone, with the nation's weekly shopping bill £15 higher than two years ago.

The cost of a weekly shop has also jumped by more than two and a half times the rate of inflation in the past year. Worryingly, food prices are going up at a time when households are facing crippling rises in energy bills and mortgage payments, with the threat of council tax increases in the spring.

The price of a basket of 24 basic grocery items has risen by 12.1 per cent – or nearly £3 – across the three major supermarkets during the past year, according to the price comparison website [mysupermarket.co.uk](http://mysupermarket.co.uk).

The latest data from a countryside survey by The Grocer magazine revealed that the average cost of a 100-item trolley of staple products has shot up from £169.65 in January 2006 to £183.28 this week.

Record high grain prices and energy bills have forced up the cost of food production but, instead of absorbing them,

shops are passing them on.

The biggest rises have seen the price of eggs jump from £1.01 to £1.39 for half a dozen, while the average price of a 800g loaf of branded white bread has leapt from 83p to £1.10.

A four-pint bottle of semi-skimmed milk now costs £1.34 but was only £1.11 two years ago. A bottle of red wine which cost £3.02 in 2006 is now £3.12. Meat, butter, margarine, sugar, coffee and vegetables have also soared.



SEARCH UK NEWS for:



The hefty rise in the cost of a weekly shopping basket is a major blow to the huge number of families already struggling to meet increases in energy bills as well as higher mortgages and travel costs.

James Flower, analyst at Verdict Research, said: "Retailers have been able to absorb inflationary pressures in the past, but severe commodity price hikes and expensive fuel and energy bills have left them with no choice but to pass costs on to consumers."

A spokeswoman for the National Consumer Council agreed that shoppers were beginning to feel the pinch. "Consumers are clearly noticing the difference in their shopping basket prices which are going up and up," she said.

"People are starting to feel the squeeze from rising food costs as well as higher energy costs and the threat of further council tax rises.

"We have all got used to cheap food over the last few years so it was inevitable that supermarkets would raise costs when wholesale prices and energy costs went up." Johnny Stern, of mysupermarket.co.uk, said: "It is no secret that many families are already struggling under the pressure of rising grocery prices.

"Supermarkets will inevitably pass on a portion of rising wholesale prices. However, there remains a wide range of competitively priced products."

The report shows that Asda has had the greater success keeping a lid on rising prices. The price of its 100-item trolley was £175.92 this week – the cheapest in the survey and only 5 per cent more than its total in January 2006.

Tesco's £182.21 trolley was 8.6 per cent higher than two years ago while Sainsbury's at £189.13 was 9 per cent higher.

Morrisons registered the biggest rise of the big four supermarkets – up 10.3 per cent to £187.51.

Nevertheless, the report says that Morrisons this week knocked Asda off its perch as cheapest retailer in the magazine's weekly survey of 33 products. Asda had been the cheapest retailer in The Grocer 33 for 15 consecutive weeks.

The Grocer said that any optimism inspired by the summit of global political and business leaders in Davos may not be enough to cheer the shopper who has to pay 38 per cent more for eggs than two years ago.

It said: "The sky-high cost of grain and its effect on food prices is old news, but events have conspired to threaten further misery. A global shortage of water and arable land will keep food prices rising for the foreseeable future."

A spokesman for Age Concern said: "Pensioners on low fixed incomes are the hardest hit by increases in household bills.



## Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, August 2007<sup>1</sup>

Age-gender groups	Weekly cost <sup>2</sup>	Monthly cost <sup>2</sup>
	Thrifty plan	
<b>Individuals<sup>3</sup></b>		
<b>Child:</b>		
1 year	19.10	82.70
2-3 years	20.20	87.40
4-5 years	21.00	91.10
6-8 years	26.60	115.30
9-11 years	30.60	132.40
<b>Male:</b>		
12-13 years	32.50	140.80
14-18 years	33.60	145.60
19-50 years	36.00	155.80
51-70 years	32.90	142.50
71+ years	33.00	142.90
<b>Female:</b>		
12-13 years	32.40	140.40
14-18 years	32.10	139.30
19-50 years	32.40	140.30
51-70 years	31.80	137.70
71+ years	31.20	135.10
<b>Families</b>		
<b>Family of 2:<sup>4</sup></b>		
19-50 years	75.20	325.70
51-70 years	71.10	308.20
<b>Family of 4:</b>		
Couple, 19-50 years and children—		
2-3 and 4-5 years	109.50	474.50
6-8 and 9-11 years	125.50	543.80

Age-gender groups	Weekly cost <sup>2</sup>			Monthly cost <sup>2</sup>		
	Low-cost plan	Moderate-cost plan	Liberal plan	Low-cost plan	Moderate-cost plan	Liberal plan
<b>Individuals<sup>3</sup></b>						
<b>Child:</b>						
1 year	24.90	28.60	34.80	107.70	123.90	150.80
2 years	24.20	28.60	34.70	105.00	124.10	150.40
3-5 years	26.50	32.60	39.70	114.90	141.20	172.00
6-8 years	35.80	44.10	51.80	155.20	191.20	224.60
9-11 years	40.20	51.20	59.90	174.30	222.00	259.70
<b>Male:</b>						
12-14 years	45.50	56.10	66.50	197.10	243.00	288.10
15-19 years	46.90	58.20	67.70	203.40	252.00	293.20
20-50 years	46.40	57.50	70.30	201.00	249.20	304.80
51 years and over	44.00	54.20	65.20	190.50	234.90	282.40
<b>Female:</b>						
12-19 years	39.40	47.50	57.70	170.70	205.90	249.80
20-50 years	40.40	49.30	63.50	175.00	213.60	275.20
51 years and over	39.20	48.70	58.40	169.80	211.00	253.00
<b>Families</b>						
<b>Family of 2:<sup>4</sup></b>						
20-50 years	95.50	117.50	147.20	413.60	509.10	638.00
51 years and over	91.50	113.20	135.90	396.30	490.50	588.90
<b>Family of 4:</b>						
Couple, 20-50 years and children						
2 and 3-5 years	137.50	168.10	208.30	596.00	728.20	902.40
6-8 and 9-11 years	162.80	202.20	245.60	705.50	876.00	1064.30

<sup>1</sup>Basis is that all meals and snacks are purchased at stores and prepared at home. For specific foods and quantities of foods in the Thrifty Food Plan, see the report *Thrifty Food Plan, 2006 (2007)* for specific foods and quantities of foods in the Low-Cost, Moderate-Cost, and Liberal Plans, see *The Low-Cost, Moderate-Cost, and Liberal Food Plans, 2003 Administrative Report (2003)*. The Thrifty Food Plan is based on 2001-02 data; and the Low-Cost, Moderate-Cost, and Liberal Food Plans are based on 1989-91 data. All four Food Plans are updated to current dollars by using the Consumer Price Index for specific food items.

<sup>2</sup>All costs are rounded to nearest 10 cents.

<sup>3</sup>The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person—add 20 percent; 2-person—add 10 percent; 3-person—add 5 percent; 4-person—no adjustment; 5- or 6-person—subtract 5 percent; 7- (or more) person—subtract 10 percent. To calculate overall household food costs, (1) adjust food costs for each person in household and then (2) sum these adjusted food costs.

<sup>4</sup>Ten percent added for family size adjustment.

Note: The age-gender groups differ for the Thrifty Food Plan compared with the other food plans because the Thrifty Food Plan is based on more recent dietary standards, which incorporate age-gender groupings that better represent variation in nutrient requirements of different life stages. Updates of the Low-Cost, Moderate-Cost, and Liberal Food Plans, which will reflect recent dietary standards, are in development.



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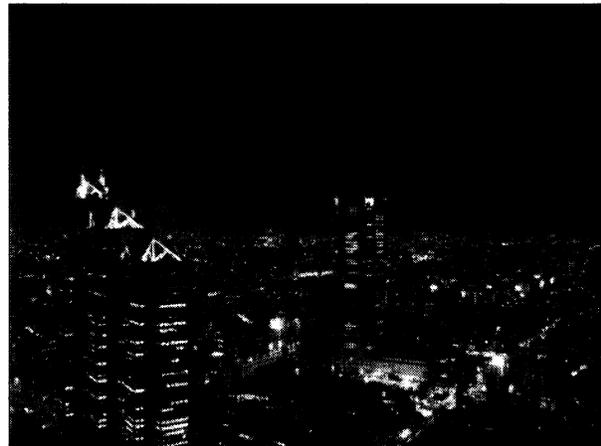


**GLOBAL/WORLD COST OF LIVING RANKINGS 2009/2010**

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Tokyo at night -- the Japanese capital has reclaimed the top position as the world's most expensive city.

- Dublin's ranking drops nine places to 25<sup>th</sup> most expensive city in the world.
- Dublin ranks below Paris (13<sup>th</sup>), London (16<sup>th</sup>) and Rome (18<sup>th</sup>) and above Amsterdam (29<sup>th</sup>), Madrid (37<sup>th</sup>) and Barcelona (joint 38<sup>th</sup>).
- The decline of rental prices in Dublin, coupled with the fall in the value of the euro against the US dollar, has caused Dublin to drop down in the rankings.
- Tokyo knocks Moscow off the top spot as the most expensive city for expatriates; Johannesburg is the cheapest.
- London drops 13 places to rank 16<sup>th</sup>, New York joins the top 10 list.

March 2009: Economist Intelligence Unit Cost of Living Survey 2009: Dublin is world's 13th most expensive city. New York gets 23rd ranking and London 27th

World Cost of Living July 2009: Tokyo returns to the top position and Dublin ranks 25<sup>th</sup> of 143 in the Mercer 2009 Cost of Living city rankings, dropping 9 places from 20<sup>th</sup> the fall in the value of the euro against the US dollar, has caused Dublin to drop down in the rankings. Noel O'Connor, Senior Consultant at Mercer, commented: "As a direct result of currency fluctuations, including the Euro and British pound, have weakened considerably against a strong US dollar causing a number of European cities to plummet in the ranking

Tokyo has knocked Moscow off the top spot to become the world's most expensive city for expatriates according to the Mercer survey. Osaka is in 2<sup>nd</sup> position, up 9 place last year, followed by Moscow in 3rd place. Geneva climbs to 4th position and Hong Kong moves up to 5th. Johannesburg in South Africa is the least expensive city in the ranking

The survey covers 143 cities across six continents and measures the comparative cost of over 200 items in each location, including housing, transport, food, clothing, house goods and entertainment. For example, a large fast food hamburger meal can cost up to €7.15 in Dublin compared to €2.68 in Beijing.

The data is used to help multinational companies and governments to determine compensation allowance for their expatriate employees.

O'Connor also noted: "With significant exposure to multiple economies and currencies, multinational companies continue to be greatly affected by the financial crisis. The expatriate programmes is heavily influenced by currency fluctuations and inflation rates. It is important for multinational companies to continuously review their compensation packages and ensure they are in line with the rest of the market."

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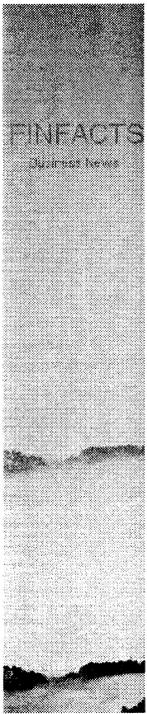
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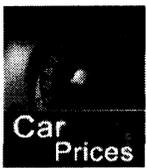


Monday, February 22, 2010



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Moscow remains the most expensive city in Europe for expatriates in 3<sup>rd</sup> place. However, a dramatic depreciation of the rouble against the US dollar has led to a sharp fall (142.4 in 2008). The next European cities in the ranking are Geneva and Zurich in 4th and 6th place, up from 8th and 9th respectively.

European cities have experienced some of this year's steepest falls in the ranking, with Warsaw plummeting from 35th to 113th and Glasgow (129th place) and Birmingham (place) in the UK falling 60 and 59 places respectively. German and Spanish cities all fell between eight and 11 places, whereas cities in Sweden, Ukraine, Czech Republic, and Hungary all fell between 36 and 48 places. "As most European currencies have weakened against the dollar it has become more costly for companies based in this region to send expatriates and their families to US cities," said Mr. O'Connor.

Oslo and London, both previously in the top 10, are now in 14th and 16th place respectively. "The decline of rental prices in both London and Oslo, coupled with the fall in the British pound and Norwegian krone against the US dollar, have caused these cities to plummet in the ranking," said O'Connor.

**The Americas**

New York remains the highest ranking city in the region and has also joined the global top 10 list this year, jumping from 22nd to 8<sup>th</sup> place. Los Angeles is up 32 places to 2<sup>nd</sup>; Washington is up 41 places to 66th. Winston Salem is the cheapest US city surveyed, ranked at 126. All cities in the US have experienced a rise in this year's ranking due to strengthening of the US dollar.

Canadian cities have slipped down the index with its highest ranking city Toronto down 31 places to 85th. Ottawa drops 36 places to 121st and Montreal is now in 103rd place from 72nd in 2008.

In 15th place and up 74 places from 2008, Caracas in Venezuela is the top ranking city in South America. Sao Paulo and Rio de Janeiro have experienced a reverse move, plummeting from 25th to 72nd and 31st to 73rd respectively. Buenos Aires has climbed 26 to reach 112th place. "Although the Argentine peso has lost value against the US dollar, services have caused Buenos Aires to rise in the rankings," said O'Connor.

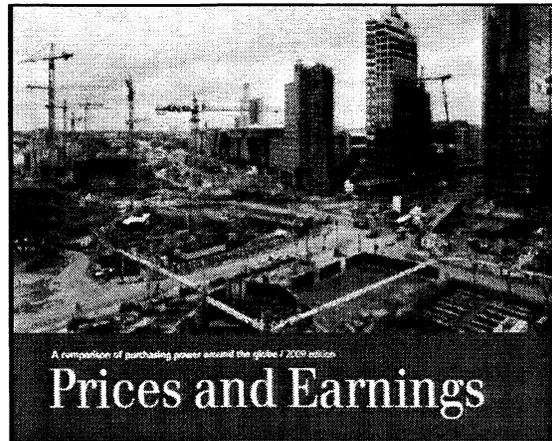
**Asia**

Tokyo moves up one place in the ranking to become the most expensive city for expatriates both in Asia and globally. The Japanese yen has strengthened considerably against the US dollar in 2008. Hong Kong follows in 5th place and Singapore has moved up three places to reach 10th. In 140th place, Karachi continues to be the least costly city in this region.

**Australia and New Zealand**

Cities in this region have taken a significant plunge in the ranking following a dramatic depreciation of the Australian and New Zealand dollars against the US dollar. Sydney has dropped from 15th to 66th. Melbourne follows in 92nd, down from 36th. Auckland has moved down to 138th place from 78th and Wellington follows in 139th down from 93rd in 2008.

Mercer Cost of Living Survey – Worldwide Rankings, 2009			
(including rental accommodation costs)			
The indices are based on Mercer's cost of living database and are modified to include rental accommodation costs and to reflect constant weighting and basket items. We do not recommend that expatriates use			
Rankings		City	Country
March 2009	March 2008		
1	2	Tokyo	Japan
2	11	Osaka	Japan
3	1	Moscow	Russia
4	8	Geneva	Switzerland
5	6	Hong Kong	Hong Kong
6	9	Zurich	Switzerland
7	7	Copenhagen	Denmark
8	22	New York City	US
9	20	Beijing	China
10	13	Singapore	Singapore
134	133	Tunis	Tunisia
135	117	Chennai (Madras)	India
136	142	Quito	Ecuador
137	108	Mexico City	Mexico
138	78	Auckland	New Zealand
139	93	Wellington	New Zealand
140	141	Karachi	Pakistan
141	143	Asuncion	Paraguay
142	131	Monterrey	Mexico
143	140	Johannesburg	South Africa



August 09, 2009 -- The triennial Price and Earnings report, produced by Switzerland's biggest bank was published.

The report ranks the 73 cities across the globe, in respect of a number of criteria.

“Swiss banking giant UBS's *Prices and Earnings* study has dubbed Oslo, Zurich, Copenhagen, Geneva, Tokyo and New York as the world's most expensive cities based on a standardized basket of 122 goods and services. When rent prices are factored into the equation, New York, Oslo, Geneva and Tokyo emerge as especially pricey places to live. The basket costs the least in Kuala Lumpur, Manila, Delhi and Mumbai. The study was based on data collected in 73 cities around the world between March and April of this year.

Based on over 200 goods and services, the Mercer semi-annual surveys are conducted by professional researchers simultaneously in each of the 290 locations cover your expatriates can buy goods and services of international quality.



Kuala Lumpur gets a 96th ranking, compared with 106th in 2008 - - The survey relates to costs for expatriates but in Asia for example, food costs in restaurants patronised by locals are usually inexpensive compared with prices in areas frequented by tourists. Ceiling fans compared with air conditioning can eliminate a tax of 5% in Malaysia! The cost of a 4-dish meal for two, excluding beverages, at the Good World Chinese restaurant in Dublin, would cost about €75 (\$112) - in Malaysia, the cost for an equivalent meal including steamed fresh fish, would cost €12 (\$19).

Mercer says for the most part, the fluctuations have been the result of important currency fluctuations and less so by price movements.

**Price movements**

Up until September and October 2008, we observed a substantial increase in prices of basic consumption items and energy in many parts of the world. In the last few months continued into the early part of 2009. The March 2009 Cost of Living survey revealed a substantial decrease in petrol prices and a stabilisation of prices for many basic items cost of living surveys shows relatively low levels of inflation globally.

The global economic downturn has dramatically changed many real estate markets. Some residential rental markets have been impacted by the credit crisis causing prices to increase supply. The stock of properties for rent has increased as many new developments are difficult to sell and property owners decide to rent. Another reason for falling decreasing demand.

On the other hand some markets react in the opposite way, because it is more difficult to get mortgage to buy property, people prefer to rent causing rising demand and as

**Currency movements**

The period from March 2008 to March 2009 was characterised by important currency fluctuations; in particular the US dollar strengthened against a number of currencies who has lost almost 13% against the US dollar and to currencies pegged to the US dollar. During the same period, the British pound has lost more than 26% against the US dollar

**Consequences of the currency movements on the expatriate compensation**

Currency movements have a direct impact on the Cost of Living index. To illustrate this point, consider a transfer from Washington DC to London. In March 2008 the Cost of DC as 100. In March 2009, following the loss in value of the British pound to the US dollar, the Cost of living index dropped to 103 to reflect the increase in purchasing power 2008 to March 2009, the USD has gained 35.9% against the GBP).

However, the important point is that for the assignee in London, despite this tremendous drop in the COL index, there was NO decrease in the combined spendable income a same spendable income in USD adjusted by the new lower COL index and converted at the new exchange rate gives the stable host purchasing part as shown in the table below

Transfer Washington DC to London - illustration of the impact of the Cost of Living index and host purchasing of goods

Dates	Annual Gross Base salary (USD)	Spendable Income Net (USD)	COL Index Mean to Mean	Exchange rate USD 1 = GBP	Exchange rate variation (%)	Spendable Income adjuster by (USD)
March 2008	80,000	26,000	140	0.509485		36,960
March 2009	80,000	26,000	103	0.692490	35.9%	27,192

Mercer says it is important to note that if the employee is not paid in home country currency, but is paid instead in GBP the assignee can suffer an important drop in savings be reconciled.

**Top 5 cost of living ranking for cities worldwide**

**Top 5 cities - Overall**

- Tokyo, Japan (1st)
- Osaka, Japan (2nd)
- Moscow, Russia (3rd)
- Geneva, Switzerland (4th)
- Hong Kong, Hong Kong (5th)

**Top 5 cost of living ranking cities by region**

**Top 5 cities - Americas**

- New York City, US (8th)
- Caracas, Venezuela (15th)
- Los Angeles, US (23rd)
- White Plains (31st)
- San Francisco, US (34th)

The lowest ranking Americas city in the top 50 is Chicago (50th).

**Top 5 cities - Asia Pacific**

- Tokyo, Japan (1st)
- Osaka, Japan (2nd)
- Hong Kong, Hong Kong (5th)
- Beijing, China (9th)
- Singapore. (10th)

The lowest ranking Asian city in the top 50 is Guangzhou (23rd).

**Top 5 cities - Europe**

- Moscow, Russia (3rd)
- Geneva, Switzerland (4th)
- Zürich, Switzerland (6th)
- Copenhagen, Denmark (7th)
- Milan, Italy (11th)

The lowest ranking European city in the top 50 is Berlin (49th).

Cost of living comparisons in €s – 2008

Selected cities worldwide: 1 Euro= US\$1.57

(NB purchases at medium-priced establishments)

	London	Dublin	Paris	Rome	Amsterdam
Rent of a luxury two bedroom unfurnished apartment (per month)	3,333.05	1,300.00	2,100.00	1,600.00	1,550.00
Bus or subway ride	4.00	1.40	1.50	1.00	1.60
Music CD	15.99	16.00	17.99	19.50	21.99
1 issue of international daily newspaper	2.00	2.20	2.50	2.20	2.50
1 cup of coffee, including service	2.93	3.00	4.60	2.50	2.75
Fast food hamburger meal	5.19	6.88	5.85	5.90	5.35

	Berlin	Athens	Brussels	Madrid	Prague
Rent of a luxury two bedroom unfurnished apartment (per month)	1,100.00	1,050.00	1,100.00	1,400.00	1,101.38
Bus or subway ride	2.10	0.60	1.50	1.00	0.87
Music CD	16.99	19.00	18.90	20.95	22.77
1 issue of international daily newspaper	2.20	3.00	2.50	2.50	3.93
1 cup of coffee, including service	3.50	4.50	3.10	2.30	3.11
Fast food hamburger meal	5.15	5.20	5.80	5.80	4.29

	Warsaw	Zagreb	Tokyo	Beijing	Sydney
Rent of a luxury two bedroom unfurnished apartment (per month)	1,675.77	1,169.87	3,483.79	NA	1,606.26
Bus or subway ride	0.67	NA	1.90	NA	1.64
Music CD	20.25	19.13	11.08	14.21	15.41
1 issue of international daily newspaper	3.07	2.75	0.95	2.94	2.78
1 cup of coffee, including service	2.51	2.75	3.42	4.26	2.47
Fast food hamburger meal	3.91	3.85	4.05	1.99	3.98

	New York	Buenos Aires	Johannesburg	Vancouver	Moscow
Rent of a luxury two bedroom unfurnished apartment (per month)	3,056.65	1,086.81	711.67	1,220.50	3,056.65
Bus or subway ride	1.36	NA	NA	1.70	NA
Music CD	11.81	7.50	14.23	18.25	18.00
1 issue of international daily newspaper	1.36	3.87	2.76	2.69	4.07
1 cup of coffee, including service	2.55	1.40	1.60	2.64	6.92
Fast food hamburger meal	4.00	3.76	1.95	4.69	3.90

Source: Mercer – Cost of Living Survey 2008

## Expatriate rental property costs – Mercer global survey and city rankings

- Asian cities dominate the top 10 most expensive cities for expats
- Currency fluctuations cause significant changes in rankings
- London, Singapore and Hong Kong have already experienced a strong decline in rental prices
- Singapore drops a spot but maintains top 10 ranking while other ASEAN cities climb up rankings

APRIL 2009: Asian cities dominate the world's top 10 costliest locations for expatriate rental property, according to a study by Mercer of housing costs and practices for expats in New York, Geneva and London also appear near the top of the ranking while Moscow holds the number one position.

From a survey of 300 cities across the world Mercer has produced a rental property index of the 50 most popular cities for expatriate assignments. The research provides a cost of living index for their expatriate employees in major commercial centers. Data is based on typical rents for 1-4 bedroom apartments and 3-4 bedroom houses, furnished and unfurnished.

New York is used as the base city, with a score of 100 points. Moscow at the top of the ranking scores 168.30 while Johannesburg, at position 50, is substantially less costly. Comparisons using the US dollar, currency exchange rates have an influence on the rankings.

Marie-Laurence S  p  de, senior associate and research manager at Mercer, commented, "The world's housing markets have been sliding since 2008, and strong currency impact on the comparative cost of expatriate housing. The value of the Euro has dropped by around 12 percent against the US dollar since September last year, while the British pound has all lost more than 30 percent in value against the dollar during the same period.

#### ASEAN

Singapore maintains its top 10 ranking among the world's most expensive cities for expatriate housing, but drops one place to 10th due to weakening demand. ASEAN cities rest of the world with Jakarta, Kuala Lumpur, Manila and Bangkok all climbing up the rankings. Jakarta rises seven places from 41st to 34th, Manila moves up five places from 44th and Kuala Lumpur picks up one position to 36th. Puneet Swani, Mercer's Head of Information Product Solutions for ASEAN commented: "Higher rankings do not necessarily mean from Singapore, rental prices in most ASEAN cities have in fact remained the same or decreased marginally. They remain comparatively stable compared to sharp falls in relatively higher rankings of ASEAN cities this year. Singapore's drop in ranking is a reflection of a strong decline in property prices, hardest hit in the ASEAN region by a

"Despite falling property rental costs in most of ASEAN, the difficult economic situation will still likely result in an overall decrease in expatriate assignments across the region. It remains a relatively good area for multinationals to invest and grow their business during this downturn."

Swani added: "It will be interesting to see what 2010 brings for the housing market in ASEAN, but if current conditions are any indication, we may see Singapore continue maintaining the same position or moving up marginally in ranking".

#### Asia Pacific

Asia dominates the top 10 most expensive cities for expatriate properties. Tokyo (156.10) is the second most expensive rental city for expatriates globally – up from 3rd place value of the yen against the dollar since September 2008. Hong Kong moved down one place to third position (142.10) due to rental prices decreasing as a result of reduced Asian cities moving up the ranking table include Beijing, which moved up four positions to 6th place (98.30) with its rental prices stable and its currency linked to the US dollar. Bangalore at 29 (51.80) continue to receive interest and demand for expatriate rental property.

Other cities in the region have experienced notable changes in the ranking for a number of reasons: their currency is linked to the US dollar or the prices for expatriate rental accommodation. In Vietnam, Ho Chi Minh City is up 11 places to 23rd position (55.10). Seoul at position 16 (73.30) has dropped five places with a devaluation of the Korean won 34 (score 49.50).

Sydney is still the most expensive city for rental property in Australia but it has dropped seven places to 32nd position (49.70) with the Australian dollar experiencing a loss of

#### Europe

Moscow (score 168.30) is ranked the most expensive city for rental prices in Europe and globally for 2008. London has moved down five places and is now in 9th position, after Geneva which scores 96.80. As well as the British pound's decline in value against the US dollar, London residential rents are now falling as the supply of rental properties

Other European cities in the top 20 include Paris in 13th place (77.20), Kiev at 14 (75.50), Milan at 15 (75.40) and Copenhagen at 20 (61.10). Warsaw has dropped 13 places with a devaluation against the dollar.

#### Middle East and Africa

Dubai has the most expensive rental prices in the Middle East, in 12th place with a stable score of 82.50 over the last six months. The United Arab Emirates dirham is pegged to the US dollar, some difficulties, has not yet experienced a major fall in rental prices. However, this is expected to happen in the coming months as the global economic crisis impacts this region.

Jeddah in Saudi Arabia is ranked 47(37.80) and has moved up three places since September 2008. Cairo has moved up seven places to position 37(47.00). Johannesburg has moved up against the dollar in the last few months.

#### The Americas

In the United States the rental market within some cities is resilient and rental prices across the country are increasing. New York City in 5th position has moved up 2 places

"The growing number of foreclosures is forcing more people to look for apartments and houses to rent. However, we expect rental prices to decrease as unemployment rises," S  p  de commented.

Most cities in South America have dropped in the ranking with Sao Paulo moving from 16th to 27th place (53.40) and Rio de Janeiro moving from 20th to 35th place (49.40) against the US dollar. Caracas (68.00), ranked 18th, is now the most expensive city in the region followed by Bogota in 22nd position (58.00), while Mexico City in 49th position. Buenos Aires is up from 47 to 42nd place (score 42.00).

"In recent months, much of the movement in the rankings can be attributed to currency fluctuations. Looking ahead over the next few months, we would expect to see a general slowdown. Multinational companies should closely monitor these changes in the markets so as not to lose out on opportunities for cost savings," commented. S  p  de.

The figures for Mercer's housing for expatriates were compiled in late October 2008 using September 2008 exchange rates and then compared with later exchange rates in

Finfacts Report April 2009: [Dublin ranks 25th of 215 in Mercer's 2009 Quality of Living Global City rankings. Vienna scores highest - - Baghdad the lowest](#)

March 2008: [Dublin fourth most expensive city of 71 global cities - Kuala Lumpur cheapest according to UBS report](#)

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## **Gasoline Price Hits \$7 a Gallon in England**

**Car and Driver.com** ^ | Monday, May 1, 2006 | The Daily Auto Insider

Posted on **Monday, May 01, 2006 8:44:05 AM** by **kellynla**

While Americans complain about \$3-per-gallon gas, drivers in Britain and much of continental Europe wish they had it so good, according to a story in the Washington Post.

The average gasoline price in Britain has risen 19 percent since January 2005 to a national average of \$6.48 a gallon. And many stations are charging well above that, with at least one in London's chic Chelsea neighborhood charging nearly \$8 a gallon last weekend.

What's more, drivers in 11 European countries are now paying an average of more than \$6 a gallon for gasoline, according to Britain's AA Motoring Trust. The disparity between European and American gasoline prices is accounted for by high taxes charged in Europe, where governments have long used gasoline taxes as an important source of revenue and as a policy tool to drive down oil consumption and reduce pollution.

Taxes account for about 66 percent of the pump price in Britain. Of the current average price per gallon of \$6.48, about \$4.27 goes to the government, while U.S. drivers pay an average of about 46 cents per gallon in combined state, federal and local taxes, according to the Tax Foundation, an independent organization in Washington.

## Median and Average Sales Prices of New Homes Sold in United States

### Annual Data

Period	Median	Average
1963	\$18,000	\$19,300
1964	\$18,900	\$20,500
1965	\$20,000	\$21,500
1966	\$21,400	\$23,300
1967	\$22,700	\$24,600
1968	\$24,700	\$26,600
1969	\$25,600	\$27,900
1970	\$23,400	\$26,600
1971	\$25,200	\$28,300
1972	\$27,600	\$30,500
1973	\$32,500	\$35,500
1974	\$35,900	\$38,900
1975	\$39,300	\$42,600
1976	\$44,200	\$48,000
1977	\$48,800	\$54,200
1978	\$55,700	\$62,500
1979	\$62,900	\$71,800
1980	\$64,600	\$76,400
1981	\$68,900	\$83,000
1982	\$69,300	\$83,900
1983	\$75,300	\$89,800
1984	\$79,900	\$97,600
1985	\$84,300	\$100,800
1986	\$92,000	\$111,900
1987	\$104,500	\$127,200
1988	\$112,500	\$138,300
1989	\$120,000	\$148,800
1990	\$122,900	\$149,800
1991	\$120,000	\$147,200
1992	\$121,500	\$144,100
1993	\$126,500	\$147,700
1994	\$130,000	\$154,500
1995	\$133,900	\$158,700
1996	\$140,000	\$166,400
1997	\$146,000	\$176,200
1998	\$152,500	\$181,900
1999	\$161,000	\$195,600
2000	\$169,000	\$207,000
2001	\$175,200	\$213,200
2002	\$187,600	\$228,700
2003	\$195,000	\$246,300
2004	\$221,000	\$274,500
2005	\$240,900	\$297,000
2006	\$246,500	\$305,900

**Median and Average Sales Prices of New Homes Sold in United States**

**Annual Data**

Period	Median	Average
2007	\$247,900	\$313,600
2008	\$232,100	\$292,600
2009	\$215,900	\$270,400

Note: The sales price includes the land.

**Table 502 Housing market: house prices from 1930, annual house price inflation, United Kingdom, from 1970**

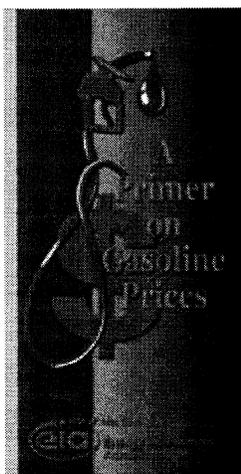
Note that whilst the year-on-year change in the simple average house price can be used as a rough estimate of house price inflation, it is not ideal. This is because movements in the simple average house price can be affected by changes in the proportions of different property types being sold from one year to the next. Nowadays Communities and Local Government, Halifax and Nationwide calculate mix-adjusted average house prices as a basis for estimating house price inflation.

Year	£		
1930	590		
1931	600		
1932	540		
1933	530		
1934	515		
1935	530		
1936	550		
1937	540		
1938	545		
<b>1939-1945</b>			
1946	1,459		
1947	1,824		
1948	1,751		
1949	1,911		
1950	1,940		
1951	2,115		
1952	2,028		
1953	2,006		
1954	1,970		
1955	2,064		
1956	2,280		
1957	2,330		
1958	2,390		
1959	2,410		
1960	2,530		
1961	2,770		
1962	2,950		
1963	3,160		
1964	3,360		
1965	3,660		
1966	3,840	<i>mix-adjusted</i>	<i>annual</i>
1967	4,050	<i>index,</i>	<i>inflation</i>
1968	4,344	<i>2002 Q1 = 100</i>	<i>rate</i>
1969	4,640	3.8	
1970	4,975	4.0	6.3
1971	5,632	4.5	11.9
1972	7,374	6.0	33.8
1973	9,942	8.2	36.2
1974	10,990	8.9	8.3
1975	11,787	9.4	5.9
1976	12,704	10.3	8.9
1977	13,650	11.0	7.6
1978	15,594	12.8	15.8
1979	19,925	16.5	29.3
1980	23,596	20.0	21.2
1981	24,188	21.1	5.5
1982	23,644	21.6	2.5
1983	26,471	24.2	11.9
1984	29,106	26.4	9.1
1985	31,103	28.8	9.1
1986	36,276	32.8	13.9
1987	40,391	38.3	16.5
1988	49,355	48.0	25.6
1989	54,846	58.1	21.0



## Energy Information Administration Brochures

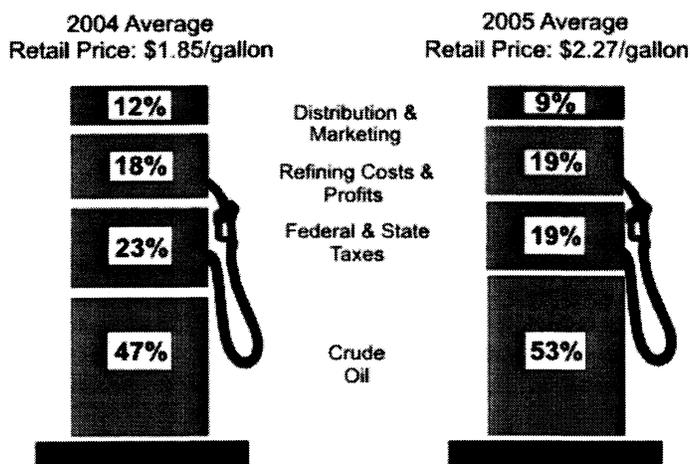
### A Primer on Gasoline Prices



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Gasoline, one of the main products refined from crude oil, accounts for just about 17 percent of the energy consumed in the United States. The primary use for gasoline is in automobiles and light trucks. Gasoline also fuels boats, recreational vehicles, and various farm and other equipment. While gasoline is produced year-round, extra volumes are made in time for the summer driving season. Gasoline is delivered from oil refineries mainly through pipelines to a massive distribution chain serving 168,987 retail gasoline stations throughout the United States.<sup>1</sup> There are three main grades of gasoline: regular, mid-grade, and premium. Each grade has a different octane level. Price levels vary by grade, but the price differential between grades is generally constant.

Figure 1. What Do We Pay For in a Gallon of Regular Grade?



Source: Energy Information Administration, Washington, DC

#### What are the components of the retail price of gasoline?

The cost to produce and deliver gasoline to consumers includes the cost of crude oil to refiners, refinery processing costs, marketing and distribution costs, and finally the retail station costs and taxes. The prices paid by consumers at the pump reflect these costs, as well as the profits (and sometimes losses) of refiners, marketers, distributors, and retail station owners.

In 2005 the price of crude oil averaged \$50.23 per barrel, and crude oil accounted for about 53 percent of the cost of a gallon of regular grade gasoline (Figure 1). In comparison, the average price for crude oil in 2004 was \$36.98 per barrel, and it composed 47 percent of the cost of a gallon of regular gasoline. The share of the retail price of regular grade gasoline that crude oil costs represent varies somewhat over time and among regions.

Federal, State, and local taxes are a large component of the retail price of gasoline. Taxes (not including county and local taxes) account for approximately 19 percent of the cost of a gallon of gasoline. Within this national average, Federal excise taxes are 18.4 cents per gallon and State excise taxes average about 21 cents per gallon.<sup>2</sup> Also, eleven States levy additional State sales and other taxes, some of which are applied to the Federal and State excise

Year	£	<i>mix-adjusted index, 2002 Q1 = 100</i>	<i>annual inflation rate</i>	
1990	59,785	57.4	-1.3	
1991	62,455	56.6	-1.4	<i>mix-adjusted</i>
1992	61,336	54.4	-3.8	<i>price (£)</i>
1993	62,333	53.1	-2.5	64,239
1994	64,787	54.4	2.5	65,874
1995	65,644	54.8	0.7	66,786
1996	70,626	56.7	3.6	69,889
1997	76,103	62.0	9.4	77,531
1998	81,774	68.8	10.9	86,835
1999	92,521	76.7	11.5	96,340
2000	101,550	87.7	14.3	109,446
2001	112,835	95.1	8.4	116,206
2002	128,265	111.2	17.0	135,884
2003	155,627	128.7	15.7	155,485
2004	180,248	143.9	11.8	172,788
2005	190,760	151.8	5.6	183,966
2006	204,813	161.4	6.3	192,648
2007	223,405	179.0	10.9	213,807
2008	227,765	177.3	-0.8	211,388

1. Note that whilst the year-on-year change in the simple average house price can be used as a rough estimate of house price inflation, it is not ideal. This is because movements in the simple average house price can be affected by changes in the proportions of different property types being sold from one year to the next. Nowadays Communities and Local Government, Halifax and Nationwide calculate mix-adjusted average house prices as a basis for estimating house price inflation.

Data sources:

1930-1938: taken from Table A.13, page 128 of "House Prices: Changes Through Time at National and Sub-National Level", Government Economic Service, Working Paper No 110.

1939 - 1945: no reliable information available.

1946 to 1952: a house price index for modern, existing dwellings was calculated by the Co-operative Building Society from 1946 (=100) to 1970. The movements in the index from 1946 to 1953 have been applied to the average 1953 price of £2,006 in order to impute average prices for 1946-1952.

1953 to 1955: derived from the average of two series of UK projected house prices.

1956 to 1965: prices are based on the BS4 survey of mortgage completions for NEW dwellings. No adjustment has been made to allow for the absence of existing dwellings. Whilst in recent years average prices of new dwellings have often been more than 10 per cent higher than the average for all dwellings, this was not the situation from 1966 to 1974, the first years when BS4 data both for new and all dwellings was available.

1966 to 1992: average prices are based on the 5 per cent survey of building societies. From 1969 the mix-adjusted index is also based on the survey of building societies.

1993 to 2002: average prices and the mix-adjusted index are based on the five per cent Survey of Mortgage Lenders.

2003 - Aug 2005: average prices and the mix-adjusted index remain based on the Survey of Mortgage Lenders, but from a significantly larger sample size.

Sept 2005 to date: collected from the Regulated Mortgage Survey (CML).

Sources: See above

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# Big Mac index

Local currency under (-)/ over (+) valuation against the dollar, %



Sources: McDonald's; *The Economist*

\*At market exchange rate (January 5th)  
 †Weighted average of member countries ‡Average of four cities