

Private Income, Personal Income, Personal Disposable Income

Private Income : Private income is the total of factor incomes and transfer incomes received from all sources by private sector (private enterprise and households) within and outside the country.

It also includes net factor income from abroad

private income consists of not only factor incomes earned within the domestic territory and abroad but also all current transfers from government and rest of the world. In this way it is the sum of earned incomes and transfer incomes received by private sector.

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Private Income = Factor income from domestic product accruing to the private sectors + NFIA + Transfer payments from government + Interest on National Debt + Current transfer from abroad



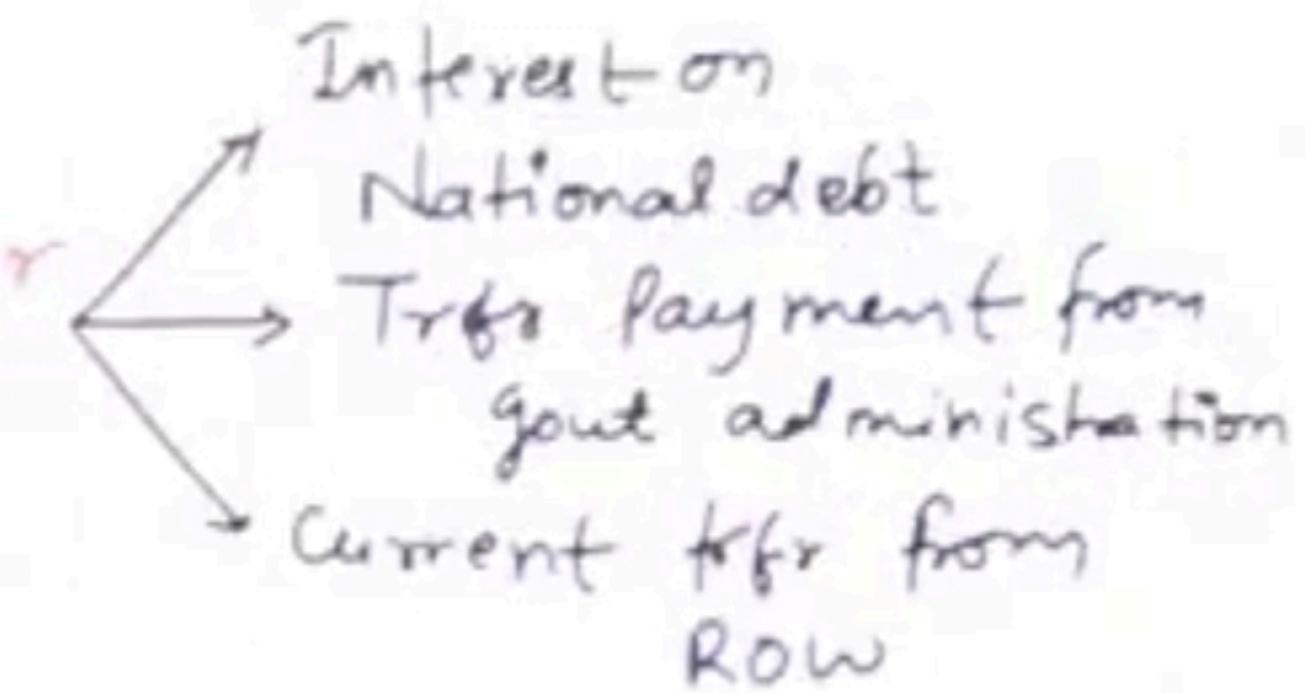
Private Income = factor income from Domestic Product accruing to Private Sector (Household + firm) + NFIA
(Net factor Income from Abroad)

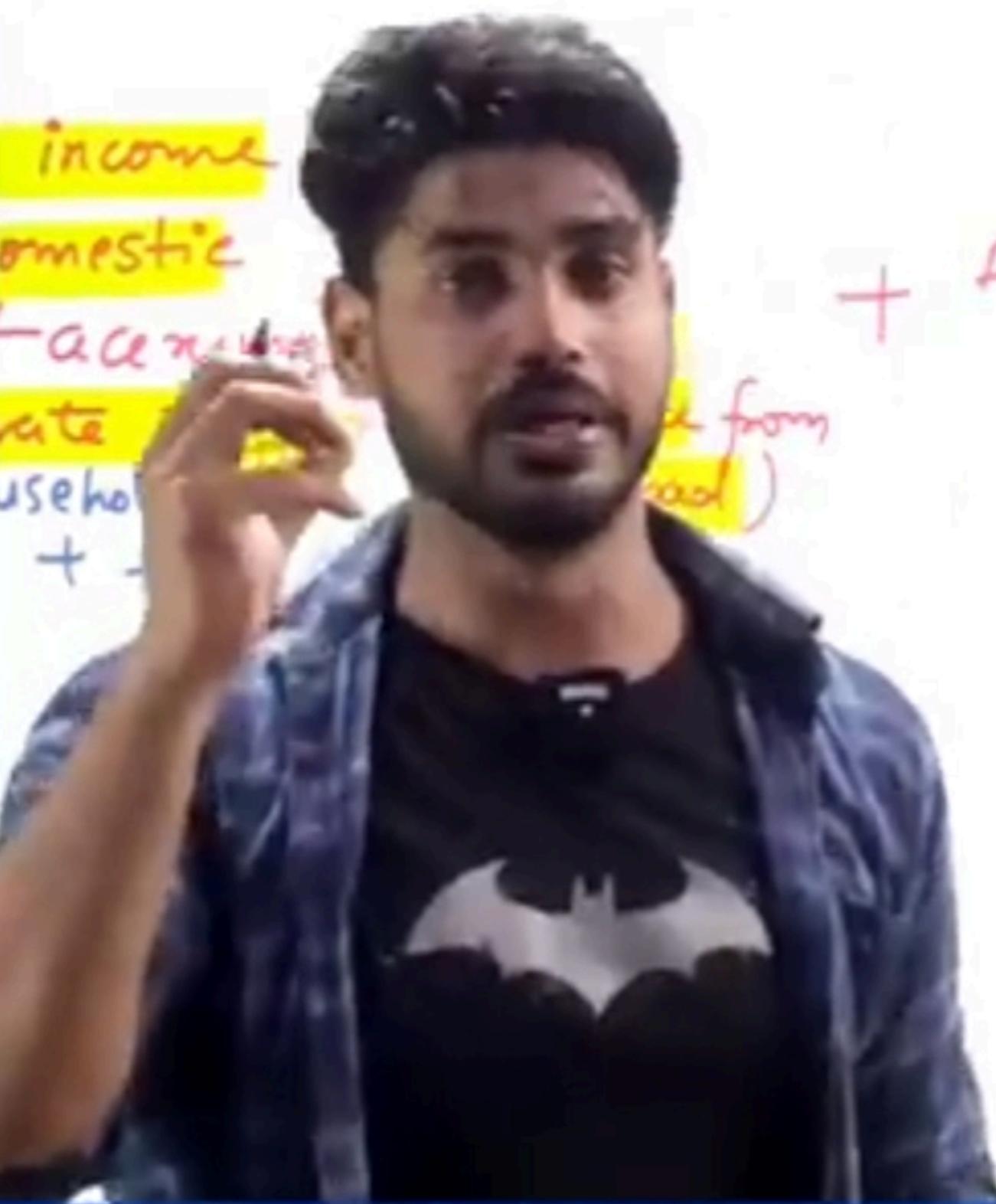


for income
in Domestic
debt accounts
Private Sector
(Household
+ firm)

NFIA
(Net
factor
Income from
Abroad)

All transfer
Income

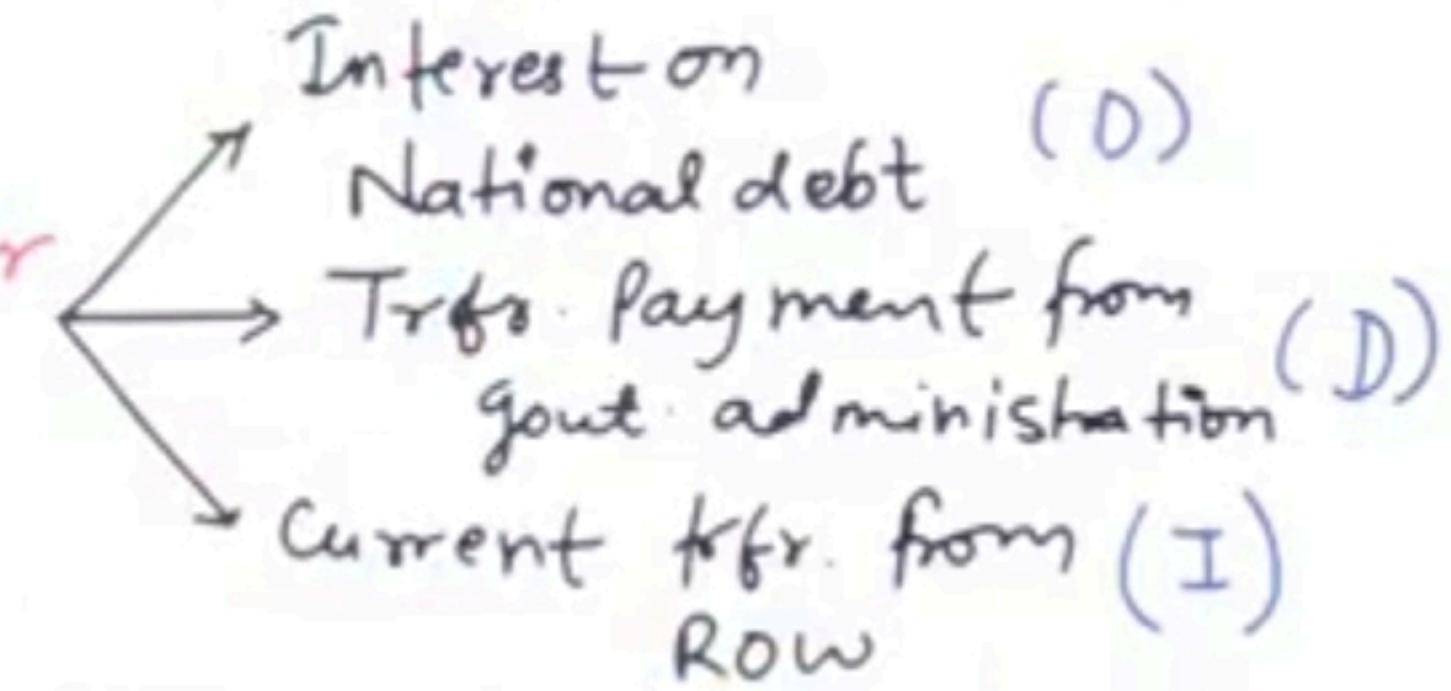




income
domestic
taxes
rate
household
+ -

+

All transfer
Income



$$\text{Private Income} = \text{factor income from Domestic Product accruing to Private Sector (Household + firm)} + \text{NFIA} + \text{(Net factor Income from Abroad)} + \text{All transfer Income}$$

Interest on National debt (D)
Trfr Payment from govt administration (D)
Current trfr from (I) Row

$$\text{Private Income} = \text{factor income from Domestic Product accruing to Private Sector (Household + firm)} + \text{NFIA (Net factor Income from Abroad)} + \text{All transfer Income}$$

Interest on National debt (D)
Trfr. Payment from govt administration (D)
Current trfr. from (I) Row



$$\text{Private Income} = \text{factor income from Domestic Product accruing to Private Sector (Household + firm)} + \text{NFIA (Net factor Income from Abroad)} + \text{All transfer Income}$$

Interest on National debt
Trfs. Payme
gout. adm
Current tfr.
Row

OR

$$\text{Private Income} = \text{Domestic Income (NDP}_G\text{)} + \text{NFIA} + \text{R.O.W. All transfer Income} - \text{Income accruing to govt. Sector}$$



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OR

Interest on National debt
Trfs. Payme
gout. adm.
Current tfr.
Row

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Personal Disposable Income

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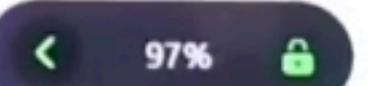
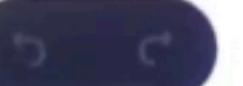
Private Income = Factor income from domestic product accruing to the private sectors + NFIA + All types of transfer payments (Transfer payments from government + Interest on National Debt + Current transfer from abroad)

OR

Private Income = Domestic Income + NFIA + All types of transfer payments – Income from domestic product accruing to Govt. Sector

OR

Private Income = National Income + All types of transfer payments – Income from domestic product accruing to Govt. Sector



National Debt Interest : It is the interest paid by Government on loans taken to meet its expenditure (administrative & consumption).

Personal Income : "Personal income is the sum of earned income and transfer income received by persons from all sources within and outside the country. The point to be noted here is that personal income includes not only factor incomes which are earned from productive services but also transfer incomes (or payments) which are received without rendering any productive service. Thus, personal income is the sum of earned incomes and current transfer incomes. It is a receipt concept. Corporate savings & Corporation tax are not a part of personal income.

$$\text{Personal Income} = \text{Private Income} - \text{Corporate tax} - \text{Corporate savings}$$

$$\begin{aligned}\text{Personal Income} &= \text{Private Income} - \text{Corporation Tax} - \text{Corporate Saving} \\ &= 1000 \text{ cr} - 100 \text{ cr} - 50 \text{ cr}\end{aligned}$$



$$\text{Personal Income} = \text{Private Income} - \text{Corporation Tax} - \text{Corporate Saving}$$

$$= 1000 \text{ cr} - 150 \text{ cr} - 50 \text{ cr}$$

$$= \underline{\underline{850 \text{ cr}}}$$



Personal Income

$$\begin{aligned}
 \text{Personal Income} &= \text{Private Income} - \text{Corporation Tax} - \text{Corporate Saving} \\
 &= 1000 - 100 - 50 \\
 &= 850
 \end{aligned}$$

Personal

disposable
Income

$$\begin{aligned}
 \text{Personal disposable Income} &= \text{Personal Income} - \text{direct tax} \left(\begin{array}{l} \text{Income Tax} \\ \text{Tax of Property} \\ \text{Tax etc.} \end{array} \right) - \text{Admi. exp.} \\
 &\quad \left(\begin{array}{l} \text{fine, penalty,} \\ \text{fees etc.} \end{array} \right) \\
 &= 850 - 50 - 20 \\
 &\rightarrow = \underline{\underline{780}}
 \end{aligned}$$





Personal Income

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$$= 1000 - 100 - 50$$

$$= 850$$

Personal disposable Income

$$\text{Personal disposable Income} = \text{Personal Income} - \text{direct tax (Income Tax f Property Tax etc.)} - \text{Admi exp (Fine, penalty, fees etc.)}$$

$$= 850 - 50 - 20$$

780

and property tax and miscellaneous receipts of government administrative departments (fees and fines). It is the amount which the household can spend or dispose of as they like. Disposable income is indicative of the purchasing power of the households.

Personal Disposable Income = Personal income – direct personal taxes (Income tax and property tax) - miscellaneous receipts of the government administrative Department (fees, fines etc.)

In the words of Peterson, “Disposable income is the income remaining with individuals after deduction of the taxes levied against their income and property by the government”

Also, Personal Disposable Income = Saving + consumption

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