NORTHERN IRELAND—*continued*

Annual rates of duty on goods vehicles used for drawing trailers

(1) Description of vehicle	Weight unladen of vehicle (2) Exceeding	(3) Not exceeding	Rate of duty (4) Present	(5) Proposed
			£	£
Showmen's goods vehicles; electrically propelled goods vehicles (other than farmers' goods vehicles); tower wagons	—	—	17·50	23·35
Other goods vehicles	—	1½ tons	14·00	18·65
	1½ tons	2½ tons	21·25	28·35
	2½ tons	4 tons	36·00	48·00
	4 tons	—	48·00	64·00

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Financial Statement and Budget Report 1976–77

RETURN to an Order of The House of Commons dated 6 April 1976: for

COPY of FINANCIAL STATEMENT AND BUDGET REPORT 1976–77 as laid before the House by the CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

Treasury Chambers,
6 April, 1976 } ROBERT SHELDON

Ordered by The House of Commons *to be printed*
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CONTENTS

PART I

THE ECONOMIC BACKGROUND TO THE BUDGET

REVIEW OF THE PAST YEAR

Introduction

1. At the time of the April 1975 Budget the United Kingdom economy faced a number of pressing problems, rapidly rising prices, a large balance of payments deficit, and a large public sector borrowing requirement. A world recession was already developing, and in the domestic economy the level of unemployment was rising and seemed likely to worsen further.

2. In this difficult situation the Budget measures were designed to have a moderate deflationary effect. The Chancellor aimed to avoid the exacerbation of inflation which would have followed from a domestic reflationary stimulus under the prevailing conditions. He sought to check the prospective rise in the public sector borrowing requirement and to speed the reduction of the balance of payments deficit on current account. More generally, the Budget measures reflected the need to ensure greater security of employment in the medium term, and a balanced economic recovery as the expected revival of world trade came through. In the summer of 1975 these budgetary policies were complemented by a new, and comprehensive, counter-inflation policy which was linked to a target of under 10 per cent annual increase in retail prices at the end of 1976.

3. By mid-1975, however, it had become clear that the world recession was much deeper than expected. In the domestic economy, also, the level of activity had fallen sharply and unemployment was rising very quickly. Other major countries had faced a similar experience rather earlier.

4. In the second half of the year and early in 1976, therefore, the Government introduced a series of selective economic measures providing incentives for employment, job creation, recruitment of school leavers, training, construction work and the bringing forward of investment. These measures were designed to ease the problems of recession and to prepare for economic recovery; in total they fell short of a general reflation of domestic demand.

5. Towards the end of 1975 the recession levelled out, and the first signs of a revival of world and domestic activity appeared. The rate of increase in retail prices showed a sharp deceleration, and the new counter-inflation policies remained fully effective. The current deficit on the balance of payments also showed considerable improvement; the total for 1975, though still very large, was less than half of the total for the preceding year.

6. Unemployment, however, grew rapidly through 1975 and remains a serious problem. In March 1976 over 1·2 million workers were registered unemployed in the United Kingdom, a rate of 5·3 per cent. But by the early months of 1976 a deceleration had appeared in the monthly rate of increase.

The world economy

7. The beginning of 1975 saw the sharpest fall in world activity and trade for many years. In the first half of the year the level of gross national product in the eight largest industrial countries (excluding the United Kingdom) fell at an annual rate of 5 per cent. In the face of rising unemployment and continued high inflation consumers' expenditure weakened and personal savings ratios rose to record levels in many countries. Spare capacity was increasing rapidly and heavy cuts were made in private investment. By the middle of the year output was at its lowest level in relation to productive potential since the Second World War. In response to this situation reflationary measures were taken first in Japan, the United States and Germany, and then in other European countries.

8. For the OECD countries as a whole, the fall in output had probably come to an end by the autumn. Industrial production rose in Japan in the second quarter, in the United States in the third, and in several major industrial countries in Europe during the fourth. Although data for many countries remain incomplete, it seems likely that the impetus for recovery came principally from consumption and stock movements. As in previous cycles, employment has continued to lag behind the rise in activity. Levels of unemployment remain generally very high and are still increasing in many countries.

9. These developments in output were reflected in world trade. The volume of world imports probably fell by 14 per cent at an annual rate between the second half of 1974 and the first half of 1975. By the third quarter of 1975, however, the volume of trade was probably rising again, and it appears to have been

accelerating since then in association with increases in output and the reversal of destocking in a number of countries. The volume of imports of oil exporting countries also continued to rise during the year, although the growth showed signs of weakening in the later months.

10. After their steep decline at the end of 1974, prices of many industrial raw materials remained fairly steady through most of 1975. World food prices fell during the first half year but showed no clear trend thereafter. This cyclical weakness of commodity prices has contributed significantly to the reduction in inflation in almost all countries. In recent months in the OECD area as a whole consumer prices have shown an annual increase of around 8–9 per cent compared with increases of 14 per cent experienced in 1974. Most countries have shared in the deceleration. But marked divergencies between countries still exist and the average rate of increase remains disturbingly high by the standards of the troughs of previous cycles.

11. Principally as a result of the effects of the recession on import volume and on the terms of trade the current account deficit of the OECD area as a whole was virtually eliminated in the first half of 1975, after a deficit of around $33 billion (thousand million) in 1974. But as output picked up in the second half the deficit began to widen again. With rising imports and depressed demand for their exports of oil, the main counterpart to the improvement in the OECD current balance was a virtual halving of the surplus of the oil exporting countries to an estimated $32 billion in 1975 as a whole. There also appears to have been a sharp increase in the deficit of the less developed countries.

Output and employment

12. Recession developed in the United Kingdom domestic economy rather later than in other countries, the main impact coming early in 1975. Gross domestic product (GDP) fell particularly sharply in the second quarter; it fell again, but much less, in the third quarter. Between the third quarters of 1974 and 1975 the total fall in GDP was about 4½ per cent in volume terms. The fall in manufacturing output was far greater; by the third quarter of 1975 it was down to the 1970 level, and nearly 9 per cent below the level reached 12 months earlier.

13. An improvement in the terms of trade prevented real national disposable income (RNDI) from falling as sharply as output; in the second half of 1975 it was about 1¼ per cent lower than a year earlier, compared to 3¾ per cent for GDP. Compared with 1973, however, RNDI in 1975 was down by about 4 per cent, while GDP was 1½ per cent lower; the greater fall in real national income is attributable to the massive deterioration in the terms of trade in 1974 (see Diagram 2).

14. The recession appears to have reached its lowest point in the autumn of 1975. By the fourth quarter GDP showed a small rise, probably of the order of 1 per cent. This is a compromise view between expenditure-based estimates of GDP which indicate a stronger recovery, and the output-based estimates which present a weaker, but still rising, trend. In the early months of 1976 there are signs that total activity continued to recover, although at a modest pace, and with capital goods industries still inclined to lag behind the rest.

15. The number of registered unemployed in the United Kingdom (seasonally adjusted and excluding adult students and school leavers) rose rapidly throughout last year; in March 1976 it was 1,227,000, a very high level by post-war standards, equivalent to 5·3 per cent of the labour force, and 466,000 higher than in March 1975. The bulk of the rise in unemployment came in the manufacturing sector, where employment appears to have fallen by over 400,000 during 1975. The increase in unemployment has, however, been spread rather more evenly over the regions than in previous recessions.

16. In recent months there have been signs of a deceleration in the monthly increase in the unemployment figures. In February 1976 the monthly increase was 22,000, about half the monthly increase in the later part of 1975. In March unemployment was marginally lower than in February on provisional figures. The deceleration may reflect the lagged effects of the levelling out in the rate of decline in activity in the second half of 1975, and the implementation of a series of specific employment measures introduced in the summer and autumn of 1975 and in early 1976.

The development of demand

17. As the 1975 recession developed consumers' expenditure remained buoyant for longer than other categories of expenditure. It continued to rise in the first quarter of the year, but between the first and third quarters it fell by 2¼ per cent, somewhat less than the drop in real personal disposable income. The personal savings ratio remained at a high level throughout 1975. In the fourth quarter personal consumption showed a modest rise, and in the three months to February the volume of sales in the shops were 2½ per cent up on the previous three months period. Public authorities consumption rose about 3½ per cent in 1975 over the 1974 level; it was one of the few factors which helped to mitigate the onset of recession.

18. Changes in stocks also had an important effect on overall demand last year. Stocks built up rapidly in 1974 after the three-day week. Towards the end of that year, however, there was an increasing involuntary element in stock building, and as company liquidity came under pressure and markets weakened, severe destocking developed in the spring of 1975. Later on in the year the destocking slowed, and provisional figures suggest a further, rather abrupt, decline in destocking in the fourth quarter. The switch from restocking in 1974 to destocking in 1975 has had a major effect on GDP, even after allowing for the associated reduction in imports.

19. During 1975 the volume of gross domestic fixed capital formation followed a rather erratic course, weakening in the later part of the year. Within the total, manufacturing investment declined steeply in reaction to the acute financial difficulties of many companies in 1974, and to anxiety about inflation and the level of capacity utilization. It fell 13½ per cent in the year as a whole, while investment in distribution fell 12½ per cent. Total public sector investment rose 3 per cent in 1975 as a whole, but within the year it fell over 2½ per cent between the first and second half years. Public investment in dwellings followed a broadly level path during the year, and private investment in dwellings, which rose rapidly in late 1974 and early 1975, grew rather more slowly during the remainder of the year. Total investment in dwellings in 1975 was 5½ per cent higher than in 1974. North Sea oil investment accounted for about 8 per cent of total investment in 1975 as a whole, compared to 18 per cent accounted for by manufacturing investment.

20. Externally the recession in world trade brought a reduction in the volume of exports of goods and services. They fell about 4½ per cent in the year as a whole. Imports of goods and services fell more steeply, by 5¾ per cent; for imports of goods alone the fall was over 7 per cent. In the closing months of 1975 and early in 1976 exports of goods showed renewed growth, in part at least reflecting the improvement of world trading conditions. Imports of goods remained little changed over the same period, although within the total imports of industrial materials have risen rapidly.

TABLE 1. ESTIMATED CHANGES IN PERSONAL INCOME, CONSUMER PRICES AND CONSUMERS' EXPENDITURE

	1974 to 1975		2nd half 1974 to 2nd half 1975 Seasonally adjusted	
	£ million	Per cent	£ million	Per cent
Wages and salaries	13,080	28·5	6,000	24·2
Total personal income	19,730	26·2	9,490	23·5
Personal disposable income(1)	13,100	22·0	6,390	20·1
Consumers' expenditure deflator		22·0		23·7
Real personal disposable income, at 1970 prices	−10	–	−620	−2·9
Personal saving, at 1970 prices(2)	90		−250	
Consumers' expenditure, at 1970 prices	−110	−0·3	−360	−2·0

(1) Total personal income less direct tax payments and National Insurance contributions, etc.
(2) Real personal disposable income less consumers' expenditure, both at 1970 prices. Saving as a percentage of RPDI was 15·1 per cent in the second half of 1974 and 14·3 per cent in the second half of 1975.

Prices and incomes

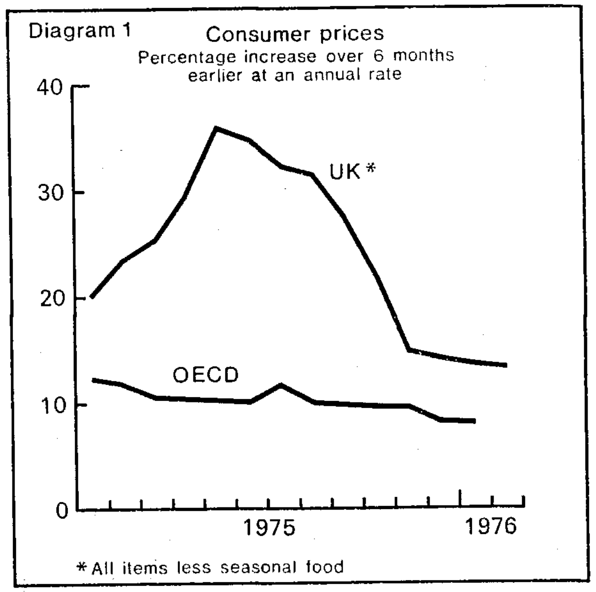
21. In the spring of 1975 retail prices rose rapidly and by June the increase over the previous 12 months had risen to 26 per cent. At the same time average earnings were around 28 per cent up on the previous year. At the beginning of July the Government announced their intention to reduce the rate of domestic inflation to less than 10 per cent by the end of 1976 by means of limits on wages and salaries in the next wage round. Their preference was, however, to establish a voluntary policy, by agreement with the TUC and CBI. Later on in July the Government accordingly endorsed the proposal of the Trade Union Congress that there should be a limit of £6 a week on pay increases in the year ahead. The Government considered that no increase should be received by those earning more than £8,500 per annum. Certain powers in support of this policy were authorised by the Remuneration, Charges and Grants Act, and the Price Code was subsequently amended so as to disallow for price increases the whole amount of any pay settlement which was in breach of the limits.

22. By the end of February 1976 over 6½ million employees were known to have made settlements within the policy. The Government know of no instance where wages are being paid in breach of the pay limit. In the first six months of the policy, up to January 1976, the index of average earnings increased by some 7¼ per cent, compared with 12¼ per cent in the six months to July 1975. Provided the policy continues to be strictly observed there should be a further decline in the rate of increase in the months ahead.

23. In recent months there has been a marked deceleration in the rate of increase in retail prices. In February 1976 the retail price index was some 22·9 per cent higher than a year earlier. Although the annual percentage increase has declined each month since August 1975, it continued to reflect very large price increases in the first half of 1975. The deceleration can be expected to become more pronounced as the full effects of the £6 pay limit flow through into prices.

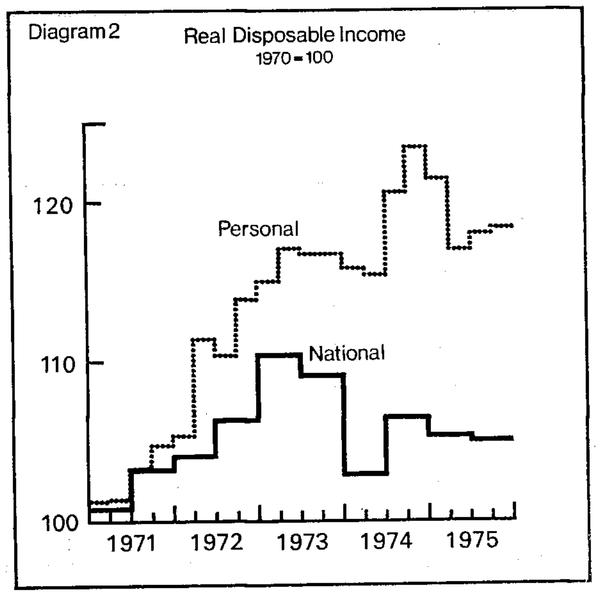
24. During the six months to February the retail price index for all items except seasonal food rose by 6⅝ per cent, or 13¾ per cent annual rate, well under half the annual rate experienced in the previous six months. Diagram 1 illustrates the deceleration of inflation using this measure and draws a comparison with international experience.

25. A similar deceleration has taken place in the wholesale price index for the output of manufactured goods. In the six months to February 1976 this index



rose by 14¼ per cent annual rate. In the same period the prices of manufacturers' basic materials and fuels rose more quickly, 18⅝ per cent annual rate, reflecting the impact of the falling effective exchange rates for sterling and of higher prices for oil and milk.

26. In 1975 income from employment rose by 29 per cent. The gross trading profits of companies, net of stock appreciation, rose by 14½ per cent. For the



year as a whole income from employment represented 74¾ per cent of total domestic incomes (net of stock appreciation), while gross trading profits of companies (also net of stock appreciation) accounted for 6¼ per cent. The corresponding proportions in 1974 were 72½ per cent and 6¾ per cent, compared to 67¼ and 14¾ per cent ten years earlier.

27. In current prices total personal disposable income rose 22 per cent in 1975 (see Table 1). Allowing for inflation this meant a marginal fall in real personal disposable incomes (RPDI) for the year as a whole; within the year, however, RPDI fell steeply in the early months. Diagram 2 illustrates these RPDI movements in 1975 and in earlier years, and compares them to movements in real national disposable income.

The balance of payments

28. The current account deficit for 1975 was £1,702 million, less than half the 1974 figure. This improvement was the result both of volume changes and of an 8 per cent improvement in the terms of trade between the two years. Exports of goods fell by 4 per cent in volume terms, but import volumes fell by 7 per cent, reflecting the low level of activity in the domestic economy and, in particular, substantial de-stocking. Exports were affected by the downturn in world trade but the United Kingdom's share of world trade almost certainly rose. The terms of trade improved by 12 per cent between the second quarter of 1974 and the third quarter of 1975, and have changed little since; in the year to February, export prices (unit value index) rose by 18 per cent and import prices rose by 12 per cent.

TABLE 2. BALANCE OF PAYMENTS

£ million

	1973	1974	1975	1974 1st half	1974 2nd half	1975 1st half	1975 2nd half
CURRENT ACCOUNT				Seasonally adjusted			
Visible trade: Oil(1)	−941	−3,423	−3,114	−1,620	−1,803	−1,455	−1,659
Other goods...	−1,391	−1,841	−86	−1,043	−798	−76	−10
Invisibles	+1,490	+1,614	+1,498	+839	+775	+760	+738
Current balance	−842	−3,650	−1,702	−1,824	−1,826	−771	−931
CURRENCY FLOW AND OFFICIAL FINANCING ...				Not seasonally adjusted			
Current balance	−842	−3,650	−1,702	−1,883	−1,767	−1,020	−682
Capital transfers	−59	−75	—	−29	−46	—	—
Investment and capital flows:							
Official long-term capital	−252	−275	−251	−95	−180	−101	−150
Overseas investment in United Kingdom public sector(2)	+170	+247	+32	+140	+107	+73	−41
Private sector investment (net)	−269	+1,056	−509	+845	+211	−794	+285
Overseas currency borrowing or lending (net) by United Kingdom banks(2)	+532	−299	+232	−6	−293	+689	−457
Changes in external sterling liabilities ...	+154	+1,558	−86	+565	+993	+266	−352
Trade credit and other short-term flows ...	−430	−601	−211	−189	−412	−342	+131
Balancing item	+204	+363	+1,020	−17	+380	+316	+704
Total currency flow(3)	−792	−1,676	−1,475	−669	−1,007	−913	−562
Financed as follows:							
Foreign currency borrowing:							
By Her Majesty's Government	—	+644	+423	—	+644	+423	—
By United Kingdom public sector under the exchange cover scheme	+1,002	+1,111	+383	+741	+370	+207	+176
Drawings on (+)/additions to (−) official reserves	−210	−79	+669	−72	−7	+283	+386

(1) Petroleum and petroleum products.

(2) Excluding foreign currency borrowing under the exchange cover scheme.

(3) This total differs from the previous published series; foreign currency borrowing by the public sector under the exchange cover scheme is now shown as a financing item.

29. The deficit on trade in petroleum and petroleum products was lower in 1975 than in 1974. Oil import volumes were reduced as the economy went into recession; on the other hand the October rise in crude oil prices was reflected in import values only towards the end of the year. In non-oil products the visible balance moved into surplus around the end of 1975, after less favourable results in the preceding summer when imports of North Sea oil production installations were large; in the three months to February 1976, the non-oil surplus averaged £136 million a month. In 1975 as a whole, exports to oil exporting countries were 88 per cent higher than in 1974, though the rate of increase slackened in the second half of the year.

30. Net invisible earnings last year were close to £1½ billion, somewhat lower than in 1974. The fall reflected increased imports of services connected with the North Sea programme and public sector interest payments overseas, with the only major improvements being on travel account and in private sector interest, profits and dividends.

31. The current account deficit in 1975 was financed in part by use of the reserves and in part also by capital inflows and by other borrowing (see Table 2). Capital inflows (including unidentified flows) contributed £227 million. Within the total sterling balances changed little, and net private investment contributed an outflow of about £500 million after an inflow of rather more than £1 billion in 1974, associated with sales of overseas securities and increased trade credit on oil. The remainder of the deficit was financed by drawings on the HMG Eurodollar loan facility (£423 million), public sector foreign currency borrowing under the exchange cover scheme (£383 million), and a fall of £669 million in the official reserves. At the end of 1975 outstanding public sector borrowing under the exchange cover scheme totalled £3·4 billion at closing market rates.

32. In January of this year a drawing of SDR 1 billion (£575 million) was made under the IMF oil facility and a further SDR 700 million (£400 million) is available to the United Kingdom under the first credit tranche. The reserves at the end of March amounted to $5,905 million (£3,082 million at closing market rates).

33. Sterling's effective depreciation widened from 17 per cent at the end of March 1974 to around 34 per cent at the end of March this year. Throughout the period, a few fairly sharp downward movements, for example in June 1975 and again in March 1976, were interspersed with extended periods of stability.

Financial and monetary developments

34. Developments in the domestic economy and the external balance described above were reflected in the financial positions of the various sectors of the economy. The counterpart of the improved external current account was a smaller, though still substantial, financial surplus for the overseas sector. The public sector deficit was higher, and the private sector moved into larger financial surplus—reflected mainly in a major improvement in the financial position of companies, which moved from a deficit of some £3 billion in 1974 to near-balance in 1975. The high level of personal saving led to a substantial increase in the personal sector's holdings of financial assets, a large part of which took the form of building society deposits, so permitting a substantial increase in mortgage lending.

35. The higher public sector deficit contributed to an increased public sector borrowing requirement. Until the first quarter of 1975–76 the public sector borrowing requirement had been rising steeply, but thereafter it levelled off and for the financial year was a little under £11 billion.

36. The increase in the public sector borrowing requirement has not, however, resulted in an acceleration in the money supply. During 1975 M1, money supply narrowly defined, rose by 14 per cent. M3, money supply on the broader definition, rose by 8 per cent—significantly slower than in the previous year. More than half the borrowing requirement was covered by take-up of debt outside the banks.

37. An additional factor holding down growth in the money supply has been the very sluggish demand for bank credit from the private sector resulting from the low level of economic activity. Companies have also taken steps to improve their financial position by new capital issues, following the recovery in equity prices which began early in the year. The level of outstanding sterling bank lending to the private sector fell slightly in money terms during the course of 1975, implying a significant fall in real terms.

38. Interest rate developments have fallen into two main phases during the last 12 months, strongly influenced by the course of rates in the United States and changing expectations about inflation. After declining in early 1975, United Kingdom rates remained steady until the summer but then increased significantly as United States rates hardened. In late 1975 and early 1976 these trends were reversed following the fall in United States rates. The slack demand for credit meant that the banks were not active bidders for funds and money market rates eased: Minimum Lending Rate fell progressively from 12 per cent to 9 per cent by early March. As it became evident

that the Government's counter-inflation policy was succeeding, a demand for gilt-edged securities developed towards the end of 1975 and in early 1976, and long-term rates came down, though by less than short-term rates.

Forecasts in the Financial Statement and Budget Report 1975–76 and Outturn

39. Table 3 compares the forecasts of GDP and its main components published last year in the Financial Statement and Budget Report 1975–76 against the provisional estimates of outturn. The comparison is between the second half of 1974 and the second half of 1975. The table shows that the severity of the present economic recession was under-estimated by a wide margin. This was a feature of many other economic forecasts.

40. There were, in particular, notable divergencies of outturn against forecast in two categories, exports of goods and services, and stocks. World trade was more depressed than expected, with the result that the volume of United Kingdom exports fell sharply. These developments in external markets, together with low company liquidity, and weakening domestic demand, particularly in personal consumption, led to a fall in stocks far larger than forecast last year, a difference equivalent to over 1 per cent on GDP.

41. The forecast also failed to identify the drop in personal consumption. In last year's consumption forecast allowance was made for a reduction in the personal sector savings ratio. In the event, however, the savings ratio remained at historically high levels; this was the most significant factor leading to lower consumption and made a major contribution to the error in forecasting GDP.

42. In contrast total private fixed investment fell much less than expected, a lower outcome for fixed investment in manufacturing industry being more than offset by higher investment in North Sea oil and by a gradual recovery in investment in private dwellings. The lower-than-expected volume of imports of goods and services reflects the more depressed outturn for the domestic economy.

TABLE 3. 1975–76 FSBR FORECAST AND ESTIMATED OUTCOME

Percentage changes second half 1974 to second half 1975 (at constant prices)

	Forecast		Estimated outcome	
	Per cent		Per cent	
Consumers' expenditure ...		—		−2
Public Expenditure on goods and services		3½		3½
Public authorities consumption	4½		4½	
Public fixed investment	1		1	
Private fixed investment ...		−5½		−1½
Exports of goods and services ...		1		−5
Stockbuilding (£ million second half 1974–second half 1975)		−250		−800
Total final expenditure ...		—		−3½
Imports of goods and services ...		−1		−4
Adjustment to factor cost		½		−3½
Gross domestic product at factor cost ...		—		−3½

Note: Gross domestic product figures in Tables 3 and 4 are "compromise" estimates. The compromise GDP index is close to the average of the three alternative measures of gross domestic product at 1970 prices, based upon expenditure, income and output respectively. It differs from that average in respect of minor timing and other adjustments to some component series. Differences between the compromise aggregate and components of the expenditure series have been allocated for convenience to investment in stocks.

166200

The outlook for economic activity

43. The forecasts are based on the assumption that there is agreement on a sufficiently low pay limit to justify implementing the conditional tax changes described in the Annex: the effects of these conditional changes are therefore allowed for.

44. The recovery, which is believed to have started in the fourth quarter of 1975, is forecast to be sustained throughout the period up to mid-1977. Forecasts for the main components of expenditure, imports and GDP are set out in Table 4. Initially, the increase in demand has come primarily from exports and stockbuilding. But there has also been some rise in personal consumption and this is likely to continue as a result of the Budget stimulus. Private sector investment is likely to start rising later in the year. The annual rate of growth of total GDP over the full 18 months from the second half of 1975 is put at about 4 per cent. With the emphasis on exports and stockbuilding, manufacturing output is likely to grow substantially faster: over the same period a growth rate of over 7 per cent is forecast.

45. These growth rates are significantly faster than the trend growth of productive potential, and unemployment may reasonably be expected to turn downwards. It would be unwise, however, to conclude, on the basis of the most recent monthly figures, that the downward trend is already firmly established. Time lags between changes in output (particularly manufacturing output) and the associated changes in employment can be substantial, and there could be some further months of rising unemployment.

46. Considering the main categories of demand individually, the volume of public expenditure on goods and services is forecast to show some rise in the first half of 1976, but very little change thereafter. This reflects the Government's objective of stabilising the resources absorbed by public expenditure programmes in total. There may be a small rise in current, and a small fall in capital, expenditure.

47. Although investment intentions enquiries show falls between 1975 and 1976 both for manufacturing and distributive and service investment, the results are entirely consistent with investment turning upwards in the course of 1976. Given the favourable intentions enquiry for manufacturing investment in 1977, the prospect for increasing output and the widespread evidence of a revival in business confidence, an upturn in industrial investment in the course of this year seems probable. With some continuing rise in private sector housing investment the trough in total private investment will probably be in the first half of 1976 with a moderate rise, of the order of 6–7 per cent, during the coming year.

48. Owing to the very depressed starting point in 1975 the reversal of the stock cycle will almost certainly make a significant contribution to expansion over the period of the forecast. Provisional estimates suggest that de-stocking had already greatly diminished in the fourth quarter of 1975, though there must be considerable doubt about about these figures as well as about the size and timing of future movements. The relatively fast recovery forecast for manufacturing industry, where a high proportion of total stocks is held, is a factor making for a substantial turn round in stockbuilding.

49. The development of personal consumption depends on the movement of incomes, prices and savings. The slowing of inflation, reflecting the assumed low pay limit, plus the effect of tax reliefs is expected to offset the slower growth of money incomes and should be sufficient to bring about a small increase in real personal disposable income over the current year. The real value of current grants from public authorities, in particular, is likely to rise substantially. The reasons for the exceptionally high level of personal savings, both in 1974 and 1975, are not fully understood. It appears likely that uncertainty about employment prospects and the erosion of the value of existing savings by inflation were important factors. As employment stops falling and inflation slows down, the personal savings ratio is likely to fall back towards more customary levels; the extent of this movement is, however, highly uncertain. Overall, personal consumption is forecast to rise by 1½ per cent between the first halves of 1976 and 1977.

50. World trade appears to have been rising quite strongly during the second half of 1975 and this has been reflected in a strong upward trend in United Kingdom export volumes. The world recovery is likely to be sustained throughout the period of the forecast, though there is considerable uncertainty about its pace. Survey information on the prospects for exports over the first three-quarters of 1976 suggests that a substantial recovery is in progress. The volume of exports of goods and services is forecast to grow by about 9 per cent over the coming year.

51. Import volumes will inevitably rise as industrial output, investment and stocks build up. With the forecast pattern of demand some increase in the

overall import propensity is possible, though import volumes (for goods and services) will probably rise much less than export volumes in the first half of 1976. Between the first halves of 1976 and 1977 import and export volumes are forecast to grow at a similar rate.

52. While the expansion of world demand could lead to some upward pressure on commodity prices, there is no reason to expect any major change in the United Kingdom terms of trade, though this is inevitably highly uncertain. If the terms of trade are stable the prospect is for no great change in the external current balance compared with the much improved level achieved in 1975, despite the forecast reversal of the stock cycle and the strong recovery in domestic demand for manufactures.

166200 B* 2

SHORT-TERM FORECASTS OF ECONOMIC ACTIVITY—*continued*

TABLE 4. FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT(¹)

£ million at 1970 prices, seasonally adjusted

	Consumers' expenditure	Public expenditure on goods and services: Public authorities' consumption	Public expenditure on goods and services: Public investment	Public expenditure on goods and services: Total	Private fixed investment	Exports of goods and services	Investment in stocks(¹)	Total final expenditure	*Less* imports of goods and services	*Less* adjustment to factor cost	Gross domestic product at factor cost	GDP index 1970 = 100
1973	35,900	10,200	3,950	14,150	6,000	13,750	1,100	70,900	14,450	8,950	47,500	109·9
1974	35,550	10,450	4,000	14,450	5,800	14,650	350	70,800	14,500	8,900	47,400	109·7
1975	35,350	10,800	4,150	14,950	5,650	14,000	−950	69,000	13,650	8,750	46,600	107·9
1976	35,600	11,100	4,300	15,400	5,450	14,900	−400	70,950	14,350	8,850	47,750	110·5
1973 first half ...	17,950	5,050	1,950	7,000	3,000	6,700	600	35,250	7,000	4,450	23,800	110·2
second half...	17,950	5,150	2,000	7,150	3,000	7,050	500	35,650	7,450	4,500	23,700	109·7
1974 first half ...	17,650	5,200	1,950	7,150	2,900	7,350	−50	35,000	7,250	4,400	23,350	108·1
second half...	17,900	5,250	2,050	7,300	2,900	7,300	400	35,800	7,250	4,500	24,050	111·3
1975 first half ...	17,850	5,300	2,100	7,400	2,800	7,050	−550	34,550	6,750	4,400	23,400	108·3
second half...	17,500	5,500	2,050	7,550	2,850	6,950	−400	34,450	6,900	4,350	23,200	107·4
1976 first half ...	17,750	5,550	2,150	7,700	2,650	7,300	−350	35,050	7,000	4,400	23,650	109·5
second half...	17,900	5,550	2,150	7,700	2,750	7,600	−50	35,900	7,350	4,450	24,100	111·6
1977 first half ...	18,000	5,600	2,100	7,700	2,850	8,000	250	36,800	7,650	4,550	24,600	113·9
Percentage changes												
First half 1974 to first half 1975 ...	1½	2	6½	3½	−4	−4		−1	−7	½	½	
Second half 1974 to second half 1975	−2	4½	1	3½	−1½	−5		−3½	−4	−3½	−3½	
First half 1975 to first half 1976 ...	−½	4½	2	3½	−4½	3½		1½	4	—	1	
Second half 1975 to second half 1976	2	1½	3	2	−2	9½		4	6½	2½	4	
First half 1976 to first half 1977 ...	1½	1	−2½	—	6½	9		5	9	2½	4	
Percentage changes at annual rate												
Second half 1974 to first half 1976	−½	4	3	3½	−5½	—		−1½	−2	−1½	−1	
First half 1975 to second half 1976	—	3	1	2½	—	5½		2½	6	½	2	
Second half 1975 to first half 1977	2	1½	1	1	—	9½		4½	7	2½	4	

(¹) All figures in Table 4 are based on " compromise " estimates of gross domestic product. Discrepancies between compromise and expenditure estimates have been added to stockbuilding.

Note: Figures in £ million are rounded to £50 million. Percentage changes are calculated from unrounded levels in £ million and then rounded to ½ per cent. The GDP index in the final column is calculated from unrounded numbers.

PART II

PUBLIC SECTOR TRANSACTIONS

INTRODUCTION

The tables in this Part present the transactions of the public sector analysed in accordance with the principles and methods used in the compilation of the national income accounts statistics. (A full description of the principles on which the national income accounts are based and of the methods used in their compilation is given in " National Accounts Statistics: Sources and Methods ", H.M.S.O., 1968.) The tables are designed to assist in a better understanding of the impact on the economy of the operations of the public sector and to show how the transactions of the various authorities comprising the public sector combine to produce a consolidated account for the sector as a whole. The figures in all the tables are based on the same assumption that there is agreement on a sufficiently low pay limit to justify implementing the conditional tax changes used in the economic forecasts in Part I. The figures in the tables in current prices are consistent with the economic forecasts shown there at constant 1970 prices.

The public sector accounts cover the current and capital transactions of the central government (including the Consolidated and National Loans Funds, the National Insurance Fund and all other central government funds and accounts) and of local authorities, together with the transactions of the nationalised industries and other public corporations on appropriation and capital accounts. All transactions within the public sector, such as grants and loans from the central government to local authorities and public corporations, disappear on consolidation.

The figures for receipts and expenditure both in 1975–76 and in 1976–77 are measured at the estimated outturn prices of each year. In Tables 5 and 7 the 1975 Budget forecasts for 1975–76 are shown alongside the estimated outturn. The forecast figures for 1976–77 take full account of the changes proposed in the Budget. Those figures in the column headed " before Budget changes " remove only the direct effect of the changes in taxation and expenditure as set out in Tables 17 and 10 respectively. They do not allow for the indirect effects of changes in the level of economic activity resulting from the Budget measures.

In 1976–77 extensive use will be made of cash limits. Details are given in the White Paper " Cash Limits on Public Expenditure " (Cmnd. 6440). These limits are reflected in the current price forecasts in all the relevant tables in Parts II and III dealing with public sector transactions. As explained in the White Paper, cash control will also apply to the forecasts of the nationalised industries' financing needs to be met by loans, grants and public dividend capital in 1976–77. These forecasts are shown in Table 13 and will be used as the basis for monitoring. Borrowing by water authorities will be monitored in a similar way against the forecast shown in Table 12.

Table 5 analyses the transactions of the public sector in accordance with the national accounts or economic classification. For certain categories of receipts and expenditure, transactions of the central government are distinguished from those of local authorities and public corporations.

Table 6 shows in broad economic categories the transactions of the central government, local authorities and public corporations and how they combine to produce a consolidated account for the public-sector; the major transfers between these three sub-sectors are displayed.

Table 7 presents a summary of the transactions of the public sector as a whole, and of each sub sector, in a form designed to bring out their financing implications. It shows how far savings and net receipts of capital transfers exceed, or are exceeded by, expenditure on fixed assets and increases in the value of stocks and work in progress; and how the resultant financial surplus or deficit is matched by changes in financial assets or by borrowing.

1975–76 ESTIMATED OUTTURN

The estimated outturn figures for local authorities and public corporations are based on partial information for three-quarters of the financial year only. For central government, totals of receipts and issues for the whole year are known to within a small margin but the allocation to economic categories is partly estimated.

TABLE 5. PUBLIC SECTOR TRANSACTIONS BY ECONOMIC CATEGORY

£ million

	1975–76		1976–77 Forecast	
	Budget forecast(1)	Estimated outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	16,074	17,009	20,514	19,538
National insurance contributions, etc.	6,635	7,154	8,574	8,574
Taxes on expenditure, central government	10,483	10,803	11,689	11,955
Local rates	4,184	4,140	4,557	4,557
Gross trading surplus(2)—				
Central government and local authorities ...	120	74	82	82
Public corporations	3,105	2,911	3,692	3,692
Rent(2)	2,397	2,390	2,558	2,558
Interest, dividends, etc.	839	820	981	981
TOTAL	43,837	45,301	52,647	51,937
CAPITAL RECEIPTS				
Current surplus(2)	1,191	1,502	1,494	724
Taxes on capital	761	835	864	857
Capital transfers	32	40	40	40
Receipts from certain pension "funds" (net) ...	155	259	204	204
Adjustments for accruals of taxes on expenditure ...	−238	−248	−128	−26
Miscellaneous capital transactions (net)	45	−619	−258	−258
Borrowing requirement (net balance)(3)				
Central government	7,827	8,820	9,751	10,426
Local authorities	297	1,370	937	937
Public corporations	931	583	599	599
Total borrowing requirement	9,055	10,773	11,287	11,962
TOTAL	11,001	12,542	13,503	13,503

(1) Differences from the figures given in Table 4 of the Financial Statement and Budget Report 1975–76 (H.C. 317) reflect changes of classification.
(2) Before allowing for depreciation and stock appreciation.
(3) Defined as in Financial Statistics.
(4) Includes refinanceable export credits.

	1975–76		1976–77 Forecast	
	Budget forecast(1)	Estimated outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services—				
Central government	13,029	13,859	16,177	16,177
Local authorities	9,338	9,949	11,234	11,234
Subsidies—				
Central government	3,267	3,235	2,850	2,910
Local authorities	434	370	277	277
Debt interest	5,074	4,845	6,461	6,461
Current grants to personal sector—				
Central government	10,371	10,515	12,670	12,670
Local authorities	754	591	801	801
Current grants abroad	379	435	683	683
Total current expenditure	42,646	43,799	51,153	51,213
Current surplus(2)	1,191	1,502	1,494	724
TOTAL	43,837	45,301	52,647	51,937
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation—				
Central government	1,219	1,319	1,478	1,478
Local authorities	3,231	3,701	4,098	4,098
Nationalised industries	2,835	3,119	3,775	3,775
Other public corporations	893	883	1,075	1,075
Increase in value of stocks—				
Central government	37	33	54	54
Nationalised industries	187	573	384	384
Capital grants to private sector	1,154	975	1,343	1,343
Capital transfers abroad	−1	—	—	
Net lending to private sector	502	703	517	517
Net lending to overseas governments	118	56	30	30
Drawings from United Kingdom subscriptions to international lending bodies	57	104	146	146
Other net lending and transactions abroad(4) ...	499	595	478	478
Cash expenditure on company securities (net) ...	270	481	125	125
TOTAL	11,001	12,542	13,503	13,503

TABLE 6. PUBLIC SECTOR TRANSACTIONS BY ECONOMIC CATEGORY AND SUB-SECTOR

£ million

Receipts positive/payments negative	1975–76 Estimated outturn				1976–77 Forecast after Budget changes			
	Central government	Local authorities	Public corporations(1)	Total	Central government	Local authorities	Public corporations(1)	Total
A. RECEIPTS								
Taxes on income	17,019	—	−10	17,009	19,543	—	−5	19,538
National insurance contributions, etc.	7,154	—	—	7,154	8,574	—	—	8,574
Taxes on expenditure	10,803	4,140(2)	—	14,943	11,955	4,557(2)	—	16,512
Gross trading surplus(3)	9	65	2,911	2,985	18	64	3,692	3,774
Rent(3), interest and dividends, etc. ...	446	2,258	506	3,210	515	2,462	562	3,539
Taxes on capital and other capital transfers	835	—	40	875	837	20	40	897
Other financial transactions(4) ...	−755	−448	595	−608	187	−68	−199	−80
Borrowing requirement(5)	8,820	1,370	583	10,773	10,426	937	599	11,962
TOTAL RECEIPTS	44,331	7,385	4,625	56,341	52,055	7,972	4,689	64,716
B. EXPENDITURE								
Current expenditure on goods and services	−13,859	−9,949	—	−23,808	−16,177	−11,234	—	−27,411
Debt interest	−2,852	−1,363	−630	−4,845	−4,061	−1,488	−912	−6,461
Current grants to personal sector ...	−10,515	−591	—	−11,106	−12,670	−801	—	−13,471
Other current expenditure	−3,670	−370	—	−4,040	−3,593	−277	—	−3,870
Gross domestic fixed capital formation	−1,319	−3,701	−4,002	−9,022	−1,478	−4,098	−4,850	−10,426
Increase in value of stocks	−33	—	−573	−606	−54	—	−384	−438
Capital transfers	−855	−120	—	−975	−1,182	−161	—	−1,343
Lending, etc.	−1,156	−430	−353	−1,939	−782	−102	−412	−1,296
TOTAL EXPENDITURE ...	−34,259	−16,524	−5,558	−56,341	−39,997	−18,161	−6,558	−64,716
C. TRANSACTIONS WITHIN PUBLIC SECTOR								
Interest and dividends	2,074	−750	−1,324	—	2,489	−940	−1,549	—
Current grants	−8,526	8,526	—	—	−9,316	9,316	—	—
Capital grants	−365	163	202	—	−493	246	247	—
Net lending	−3,255	1,200	2,055	—	−4,738	1,567	3,171	—
TOTAL	−10,072	9,139	933	—	−12,058	10,189	1,869	—

(1) Excludes transactions on operating account, *i.e.*, receipts from sales and subsidies, and payments for current goods and services.
(2) Local rates.
(3) Before allowing for depreciation and stock appreciation.
(4) Includes unidentified items.
(5) Contributions to the public sector borrowing requirement as defined in Financial Statistics.

TABLE 7. PUBLIC SECTOR FINANCIAL SURPLUS AND BORROWING

£ million

	1975–76		1976–77 Forecast	
	Budget forecast(1)	Estimated outturn	Before Budget changes	After Budget changes
TOTAL PUBLIC SECTOR				
Saving(2)	1,191	1,502	1,494	724
Capital transfers (net)	−360	−100	−439	−446
Less: Gross domestic fixed capital formation ...	−8,178	−9,022	−10,426	−10,426
Increase in value of stocks ...	−224	−606	−438	−438
Financial deficit ...	−7,571	−8,226	−9,809	−10,586
Financial transactions:				
Increase (−) in assets, etc.(3) ...	−1,484	−2,547	−1,478	−1,376
Borrowing requirement ...	9,055	10,773	11,287	11,962
CENTRAL GOVERNMENT				
Saving(2)	−2,230	−1,917	−1,953	−2,723
Capital transfers (net)	−637	−385	−831	−838
Less: Gross domestic fixed capital formation ...	−1,219	−1,319	−1,478	−1,478
Increase in value of stocks ...	−37	−33	−54	−54
Financial deficit ...	−4,123	−3,654	−4,316	−5,093
Financial transactions:				
Net lending to local authorities and public corporations	−2,107	−3,255	−4,738	−4,738
Increase (−) in other assets, etc.(3) ...	−1,597	−1,911	−697	−595
Borrowing requirement(4)... ...	7,827	8,820	9,751	10,426
LOCAL AUTHORITIES				
Saving(2)	1,694	1,966	1,659	1,659
Capital transfers (net)	96	43	105	105
Less: Gross domestic fixed capital formation ...	−3,231	−3,701	−4,098	−4,098
Financial deficit ...	−1,441	−1,692	−2,334	−2,334
Financial transactions:				
Increase (−) in assets, etc.(3) ...	−116	−878	−170	−170
Borrowing from central government ...	1,260	1,200	1,567	1,567
Borrowing from other sources(4) ...	297	1,370	937	937
PUBLIC CORPORATIONS				
Saving(2)	1,727	1,453	1,788	1,788
Capital transfers (net)	181	242	287	287
Less: Gross domestic fixed capital formation ...	−3,728	−4,002	−4,850	−4,850
Increase in value of stocks ...	−187	−573	−384	−384
Financial deficit ...	−2,007	−2,880	−3,159	−3,159
Financial transactions:				
Increase (−) in assets, etc.(3) ...	229	242	−611	−611
Borrowing from central government ...	847	2,055	3,171	3,171
Borrowing from other sources(4) ...	931	583	599	599

(1) Differences from the figures given in Table 6 of the Financial Statement and Budget Report 1975–76 (H.C. 317) reflect changes of classification.
(2) This is the current surplus or deficit in the current account of the central government and local authorities, and the undistributed income (including additions to interest and tax reserves) in the appropriation account of public corporations. Saving is measured before allowing for depreciation and stock appreciation.
(3) Includes unidentified items.
(4) Contributions to the public sector borrowing requirement as defined in Financial Statistics.

PART III

CENTRAL GOVERNMENT TRANSACTIONS

The tables in this Part present in more detail the transactions of the central government included in Part II.

TABLE 8. SUMMARY OF CONSOLIDATED FUND RECEIPTS AND ISSUES

£ million

	1975–76		1976–77 Forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
REVENUE (*Table 9*)				
Taxation	26,851	28,116	32,575	31,960
Miscellaneous receipts	1,259	1,301	1,237	1,237
TOTAL	28,110	29,417	33,812	33,197
EXPENDITURE (*Table 10*)				
Supply Services	28,729	34,072	36,868	36,928
Consolidated Fund Standing Services	2,129	1,975	2,987	2,987
TOTAL	30,858	36,047	39,855	39,915
DEFICIT MET FROM THE NATIONAL LOANS FUND (*Table 11*)	**−2,748**	**−6,630**	**−6,043**	**−6,718**

TABLE 9. TAXATION AND MISCELLANEOUS RECEIPTS

£ million

	1975–76		1976–77 Forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes*
TAXATION				
Inland Revenue—				
Income tax	14,008	15,068	17,977	17,045
Surtax	85	109	30	30
Corporation tax	2,125	1,987	2,694	2,650
Petroleum revenue tax	—	—	—	—
Capital gains tax	325	386	400	400
Development land tax	—	—	—	—
Estate duty	165	211	70	70
Capital transfer tax	150	116	219	212
Stamp duties	220	282	300	293
Total Inland Revenue	*17,078*	*18,159*	*21,690*	*20,700*
Customs and Excise—				
Value added tax	3,275	3,415	3,875	3,650
Oil	1,550	1,538	1,600	2,025
Tobacco	1,675	1,676	1,760	1,790
Spirits, beer, wine, cider and perry	1,475	1,560	1,705	1,850
Betting and gaming	275	265	295	295
Car tax	170	163	190	190
Other revenue duties	10	9	10	10
Protective duties, etc.	530	507	555	555
Agricultural levies	40	43	60	60
Total Customs and Excise†	*9,000*	*9,176*	*10,050*	*10,425*
Vehicle excise duties	773	781	835	835
TOTAL TAXATION	26,851	28,116	32,575	31,960
MISCELLANEOUS RECEIPTS				
Broadcast receiving licences	234	230	237	237
Interest and dividends	145	152	140	140
Other	880	919	860	860
Total	**28,110**	**29,417**	**33,812**	**33,197**

* After all changes, including those conditional on agreement being reached on a low pay limit.

† Includes customs duties and agricultural levies accountable to the European Communities as "own resources"; actual payments to the Communities are recorded in Table 10.

Table 10. Supply Services and Consolidated Fund Standing Services

£ million

	1975–76		1976–77 Forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
Supply Services				
I. Defence	4,526	5,270	5,604	5,604
II. Overseas Aid and other Overseas Services ...	686	723	815	815
III. Agriculture, Fisheries and Forestry	957	1,146	856	856
IV. Trade, Industry and Employment	2,636	3,796	2,860	2,860
VI. Roads and Transport	1,227	1,358	1,247	1,247
VII. Housing	1,518	1,565	2,089	2,089
VIII. Other Environmental Services	297	314	337	337
IX. Law, Order and Protective Services	753	933	991	991
X. Education and Libraries, Science and Arts ...	1,132	1,285	1,406	1,406
XI. Health and Personal Social Services	4,015	4,768	4,907	4,907
XII. Social Security	3,144	3,471	4,001	4,001
XIII. Other Public Services	759	886	915	915
XIV. Common Services...	759	838	890	890
XV. Northern Ireland	369	535	526	526
XVII. Rate Support Grant, Financial Transactions, etc.	5,709	7,184	7,124	7,124
Total	*28,487*	*34,072*	*34,568†*	*34,568†*
Allowance for price changes (rounded)	—	—	2,300	2,300
Supplementary provision	242	—	—	60‡
Total Supply Services at estimated outturn prices ...	28,729*	34,072	36,868	36,928
Consolidated Fund Standing Services				
Payment to the National Loans Fund in respect of service of the national debt	1,245	964	1,770	1,770
Northern Ireland—share of taxes, etc.	484	576	631	631
Payments to the European Communities, etc.	382	382	568	568
Contingencies Fund	—	36	—	—
Other services	18	17	18	18
Total Consolidated Fund Standing Services ...	2,129	1,975	2,987	2,987
Total	**30,858**	**36,047**	**39,855**	**39,915**

* At 1975–76 Estimate prices.
† At 1976–77 Estimate prices.
‡ This is the estimated net increase in Supply Votes in 1976–77 to take account of the increase in Temporary Employment Subsidy.

Table 11. Summary of National Loans Fund Receipts and Payments

£ million

Receipts

	1975–76		1976–77 Forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
Interest, etc.				
Interest on loans, profits of the Issue Department of the Bank of England, etc. ...	2,405	2,596	3,130	3,130
Service of the National Debt—balance met from the Consolidated Fund	1,245	964	1,770	1,770
Total	3,650	3,560	4,900	4,900
Death Duties Surrendered Securities Account—transfer of surplus	—	13	—	—
Exchange Equalisation Account—changes in sterling capital	—	600	—	—
Net Borrowing	4,633	8,753	10,075	10,750
	8,283	**12,926**	**14,975**	**15,650**

Payments

	1975–76		1976–77 Forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
Service of the National Debt				
Interest	3,570	3,482	4,810	4,810
Management and expenses	80	78	90	90
Total	3,650	3,560	4,900	4,900
Consolidated Fund Deficit	2,748	6,630	6,043	6,718
Loans (Net)*				
To nationalised industries	110	599	1,286	1,286
To other public corporations	452	872	1,023	1,023
To local and harbour authorities	1,251	1,197	1,566	1,566
To private sector	−14	−17	6	6
Within central government	86	85	151	151
Total	1,885	2,736	4,032	4,032
	8,283	**12,926**	**14,975**	**15,650**

* Details in Tables 12 and 13.

TABLE 12. LOANS FROM THE NATIONAL LOANS FUND

(Net issues)

£ million

	1975–76		1976–77
	Budget Forecast*	Outturn	Forecast
LOANS TO NATIONALISED INDUSTRIES (see Table 13)	110	605	1,380
Other National Oil Account transactions	—	−6	−94
TOTAL	110	599	1,286
LOANS TO OTHER PUBLIC CORPORATIONS:			
New Towns—Development Corporations and Commission ...	283	321	366
Scottish Special Housing Association	31	35	42
Housing Corporation	89	106	96
Covent Garden Market Authority	5	4	5
Sugar Board	−21	−21	—
Civil Aviation Authority	13	1	8
Maplin Development Authority	1	1	—
Regional Water Authorities	426	422	587
National Enterprise Board	50	3	113†
Scottish Development Agency	25		5
Welsh Development Agency		—	1
Land Authority for Wales	—	—	—
Less borrowing from other sources	−450	—	−200
TOTAL	452	872	1,023
LOANS TO LOCAL AND HARBOUR AUTHORITIES:			
Local Authorities	1,235	1,174	1,540
Harbour Authorities	16	23	26
TOTAL	1,251	1,197	1,566
LOANS TO PRIVATE SECTOR:			
Shipbuilding Industry Board	−9	−8	−1
Ship Credit Scheme	−2	−1	—
Building Societies	−3	−8	−3
Housing Associations	—	—	—
British Nuclear Fuels Ltd.	—	—	10
TOTAL	−14	−17	6
LOANS WITHIN CENTRAL GOVERNMENT:			
Northern Ireland	107	117	148
Royal Mint	2	2	—
Royal Ordnance Factories	3	−9	−4
Property Services Agency Supplies	—	—	7
Purchase of United States military aircraft	−21	−22	−8
Married quarters for armed forces	−1	−3	—
Town and Country Planning compensation	−4	−4	—
Redundancy Fund	—	4	8
TOTAL	86	85	151
Total—Net Lending	**1,885**	**2,736**	**4,032**

* Differences from the figures given in Table 11 of the Financial Statement and Budget Report 1975–76 (H.C. 317) reflect changes of classification.

† Provision has been made for a similar amount to be made available to the National Enterprise Board as public dividend capital.

TABLE 13. FINANCING OF CAPITAL REQUIREMENTS OF THE NATIONALISED INDUSTRIES

1975–76 Estimated Outturn

£ million

Nationalised industries	Capital requirements			Financed by							
	Fixed assets in the U.K. (1)	Other	Total	Total internal resources (2)	Government grants(3)	Issues of public dividend capital (PDC)	Net borrowing from the NLF	Other net borrowing: Foreign(4)	Other net borrowing: U.K.	Leasing (5)	Total grants, PDC, borrowing and leasing
National Coal Board	249	195	444	144(6)	74	—	97	122	7	—	300
Electricity (England and Wales) ...	650	150	800	390	310	—	95	100	−95	—	410
North of Scotland Hydro-Electric Board	68	9	77	11	2	—	−15	77	2	—	66
South of Scotland Electricity Board ...	70	−2	68	39	20	—	1	16	−8	—	29
British Gas Corporation	339	185	524	307	24	—	−77	162	108	—	217
British Steel Corporation	515	6	521	−101	—	344	131	178	−31	—	622
Post Office	922	13	935	625	322	—	30	37	−79	—	310
British Airways Board	126	−6	120	53	—	64	28	−22	−3	—	67
British Airports Authority	36	3	39	23	5	—	8	—	3	—	16
British Railways Board	255	−116	139	−443	486	—	88	6	—	2	582
British Transport Docks Board ...	13	—	13	13	—	—	—	—	—	—	—
British Waterways Board	2	—	2	−8	9	—	1	—	—	—	10
National Freight Corporation	23	4	27	−10	8	—	15	1	2	11	37
National Bus Company	31	−2	29	−2	11	—	19	—	—	1	31
Scottish Transport Group	7	—	7	2	6	—	−1	—	—	—	5
British National Oil Corporation ...	21	173(6)	194	9	—	—	185(7)	—	—	—	185
TOTAL	3,327	612	3,939	1,052	1,277	408	605	677	−94	14	2,887

(1) This column is not precisely equivalent to gross domestic fixed capital formation in other tables.

(2) Comprising balance of revenue, depreciation and provisions, sales of fixed assets, other capital receipts (including grants such as Regional Development Grants, also available to the private sector, with the exception of new bus grants).

(3) Shows subsidies, capital grants and compensation for price restraint received in the year.

(4) Includes sterling borrowing from European Community sources and all foreign currency borrowing.

(5) Represents the capital value, as included in the fixed assets column, of assets leased.

(6) These entries include the loan of £90 million by BNOC with which NCB (Exploration) Ltd. repaid its outstanding loans to the NCB on being acquired by BNOC.

(7) Includes finance from royalty and licence fee revenues in the National Oil Account.

TABLE 13—*continued*. FINANCING OF CAPITAL REQUIREMENTS OF THE NATIONALISED INDUSTRIES

1976–77 Forecast

£ million

Nationalised industries(1)	Capital requirements			Financed by			
	Fixed assets in the U.K.(2)	Other	Total	Total internal resources(3)	Government grants(4)	Net borrowing and issues of PDC	Total grants, PDC and borrowing
National Coal Board	290	100	390	101	32	257	289
Electricity (England and Wales)	755	130	885	535	25	325	350
North of Scotland Hydro-Electric Board...	102	8	110	13	39	58	97
South of Scotland Electricity Board ...	73	21	94	48	—	46	46
British Gas Corporation	253	63	316	352	5	−41	−36
British Steel Corporation	620	365	985	35	—	950	950
Post Office	1,132	115	1,247	912	10	325	335
British Airways Board	172	22	194	81	—	113	113
British Airports Authority	41	1	42	30	7	5	12
British Railways Board	271	−96	175	−434	492	117	609
British Transport Docks Board	12	6	18	18	—	—	—
British Waterways Board	2	—	2	−10	10	2	12
National Freight Corporation	29	21	50	−8	58(5)	—	58
National Bus Company	39	4	43	19	12	12	24
Scottish Transport Group	10	−1	9	3	7	−1	6
Deduction for shortfall	−200	—	−200	—	—	−200	−200
British National Oil Corporation	163	160	323	23	—	300(6)	300
TOTAL	3,764	919	4,683	1,718	697	2,268(7)	2,965

(1) The Aircraft and Shipbuilding Industries Bill which provides for the establishment of British Aerospace and British Shipbuilders is now before Parliament. The Corporations are therefore excluded from this table.

(2) This column is not precisely equivalent to gross domestic fixed capital formation in other tables.

(3) Comprising balance of revenue (after interest and dividends), depreciation and provisions, sales of fixed assets, other capital receipts (including grants such as Regional Development Grants, also available to the private sector, with the exception of new bus grants).

(4) Shows subsidies and capital grants and residual payments of price restraint compensation received in the year.

(5) Provisional until the review announced on 21 January 1976 is complete.

(6) Includes finance from royalty and licence fee revenues in the National Oil Account.

(7) It is estimated that, after allowing for borrowing from other sources and for issues of PDC, net borrowing from the National Loans Fund within this total will be £1,380 million.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

£ million

	1975–76		1976–77 Forecast	
	Budget forecast(1)	Estimated outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	16,074	17,019	20,519	19,543
National insurance contributions ...	6,129	6,589	7,887	7,887
National health contributions ...	424	473	576	576
Redundancy fund contributions ...	82	92	111	111
Taxes on expenditure	10,483	10,803	11,689	11,955
Gross trading surplus(2)	30	9	18	18
Rent(2)	128	116	134	134
Interest and dividends from—				
Local authorities	831	875	1,070	1,070
Public corporations	1,150	1,199	1,419	1,419
Other	357	330	381	381
TOTAL	35,688	37,505	43,804	43,094
CAPITAL RECEIPTS				
Current deficit(2)	−2,230	−1,917	−1,953	−2,723
Taxes on capital	761	835	844	837
Receipts from certain pension "funds" (net)	155	259	204	204
Adjustments for accruals of taxes on expenditure	−250	−248	−128	−26
Adjustments for accruals of subsidies	−610	−676	−87	−87
Miscellaneous capital transactions (net)	100	−90	96	96
Borrowing requirement (net balance)—				
Increase in net indebtedness to Bank of England Banking Department		311		
Increase in notes and coins in circulation		596		
Increase in non-marketable debt		479		
Net receipts from domestic market transactions		7,175		
Other domestic transactions ...		−306		
Direct borrowing (net) from overseas governments and institutions (including IMF)...		490		
Net change in gold and foreign currency reserves (increase −)		612		
Overseas transactions in marketable debt		−537		
Total borrowing requirement ...	7,827	8,820	9,751	10,426
TOTAL	5,753	6,983	8,727	8,727

	1975–76		1976–77 Forecast	
	Budget forecast(1)	Estimated outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services	13,029	13,859	16,177	16,177
Subsidies	3,267	3,235	2,850	2,910
Debt interest	2,987	2,852	4,061	4,061
Current grants to—				
Local authorities	7,885	8,526	9,316	9,316
Personal sector	10,371	10,515	12,670	12,670
Abroad	379	435	683	683
Total current expenditure ...	37,918	39,422	45,757	45,817
Current deficit(2)	−2,230	−1,917	−1,953	−2,723
TOTAL	35,688	37,505	43,804	43,094
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation	1,219	1,319	1,478	1,478
Increase in value of stocks ...	37	33	54	54
Capital grants to—				
Local authorities	280	183	268	268
Public corporations	161	182	225	225
Private sector	958	855	1,182	1,182
Capital transfers abroad	−1	—	—	—
Net lending to—				
Local authorities	1,260	1,200	1,567	1,567
Public corporations	847	2,055	3,171	3,171
Private sector	196	96	195	195
Net lending to overseas governments	118	56	30	30
Drawings from United Kingdom subscriptions to international lending bodies	57	104	146	146
Other net lending and transactions abroad(3)	418	532	406	406
Cash expenditure on company securities (net)	203	368	5	5
TOTAL	5,753	6,983	8,727	8,727

(1) Differences in figures given in Table 13 of the Financial Statement and Budget Report 1975–76 (H.C. 317) reflect changes in classification.

(2) Before allowing for depreciation and stock appreciation.

(3) Includes refinanceable export credits.

Table 15. Central Government Transactions by Economic Category

Analysis and reconciliation by fund—1975–76 estimated outturn

£ million

Receipts positive/payments negative	Consolidated Fund: Taxation and other receipts	Consolidated Fund: Supply services	Consolidated Fund: Standing services and deficit	National Loans Fund: Receipts	National Loans Fund: Payments	Other central government funds and accounts(1)	Total central government
A Receipts							
(i) Items entering into public sector receipts (*see* Table 6)							
Taxes on income	17,044	−25	—	—	—	—	17,019
National insurance contributions, etc.	—	463	—	—	—	6,691	7,154
Taxes on expenditure	10,328	7	—	—	—	468	10,803
Other current receipts	125	66	—	5	—	259	455
Taxes on capital and other capital transactions (net)	918	249	—	—	—	−1,087	80
Borrowing requirement (net balance)(2)	—	—	—	9,353	—	−533	8,820
Total	28,415	760	—	9,358	—	5,798	44,331
(ii) Interest and dividends received from local authorities and public corporations	31	—	—	1,968	—	75	2,074
Total Receipts	28,446	760	—	11,326	—	5,873	46,405(3)
B Expenditure							
(i) Items entering into public sector expenditure (*see* Table 6)							
Current expenditure on goods and services	45	−13,015	−12	—	−20	−857	−13,859
Debt interest	—	−35	—	—	−2,656	−161	−2,852
Current grants to personal sector	13	−3,319	−2	—	—	−7,207	−10,515
Other current expenditure	56	−3,886	−353	—	—	513	−3,670
Gross domestic fixed capital formation	4	−1,227	—	—	—	−96	−1,319
Other capital expenditure	196	−2,082	−32	—	17	−143	−2,044
Total	314	−23,564	−399	—	−2,659	−7,951	−34,259
(ii) Grants and net lending to local authorities and public corporations	4	−9,091	—	—	−2,668	−391	−12,146
Total Expenditure	318	−32,655	−399	—	−5,327	−8,342	−46,405(3)
C Transactions within Central Government							
Grant to National Insurance Funds	—	−1,133	—	—	—	1,133	—
Northern Ireland central government: transfers and loans	—	−405	−576	—	−117	1,098	—
Purchase of United States military aircraft	—	−22	—	—	22	—	—
Other loans and advances	—	29	−36	—	10	−3	—
Debt interest (including profits of Issue Department)	17	−5	−964	1,587	−884	249	—
B.B.C. licence revenue	230	−230	—	—	—	—	—
Surplus receipts for surrender, etc.	406	−411	—	13	—	−8	—
Deficit on Consolidated Fund	—	—	6,630	—	−6,630	—	—
Total Internal Transactions	653	−2,177	5,054	1,600	−7,599	2,469	—
Grand Total (A, B and C)	**29,417(4)**	**−34,072(4)**	**4,655(4)**	**12,926(5)**	**−12,926(5)**	—	—

(1) Includes National Insurance Fund and the Northern Ireland central government: also includes receipts of and expenditure on imputed rent and sundry adjustments (timing, etc.).

(2) The borrowing requirement of the central government comprises the borrowing of the National Loans Fund (*i.e.* the Fund's net borrowing together with changes in Exchange Equalisation Account sterling capital) less any surplus (or plus any deficit) on the National Insurance Fund and changes in departmental balances invested in government debt, etc.

(3) As included within Table 14.

(4) As included in Table 8.

(5) As included in Table 11.

Table 15—*continued.* Central Government Transactions by Economic Category

Analysis and reconciliation by fund—1976–77 forecast after Budget changes

£ million

Receipts positive/payments negative	Consolidated Fund: Taxation and other receipts	Consolidated Fund: Supply services	Consolidated Fund: Standing services and deficit	National Loans Fund: Receipts	National Loans Fund: Payments	Other central government funds and accounts(1)	Total central government
A. Receipts							
(i) Items entering into public sector receipts (*see* Table 6)							
Taxes on income	19,570	−27	—	—	—	—	19,543
National insurance contributions, etc.	—	563	—	—	—	8,011	8,574
Taxes on expenditure	11,628	−17	—	—	—	344	11,955
Other current receipts	117	88	—	4	—	324	533
Taxes on capital and other capital transactions (net)	901	191	—	—	—	−68	1,024
Borrowing requirement (net balance)(2)	—	—	—	10,750	—	−324	10,426
Total	32,216	798	—	10,754	—	8,287	52,055
(ii) Interest and dividends received from local authorities and public corporations	21	—	—	2,390	—	78	2,489
Total Receipts	32,237	798	—	13,144	—	8,365	54,544(3)
B. Expenditure							
(i) Items entering into public sector expenditure (*see* Table 6)							
Current expenditure on goods and services	41	−13,895	−12	—	−25	−2,286	−16,177
Debt interest	—	−32	—	—	−3,839	−190	−4,061
Current grants to personal sector	11	−3,804	−2	—	—	−8,875	−12,670
Other current expenditure	130	−3,053	−540	—	—	−130	−3,593
Gross domestic fixed capital formation	—	−1,284	—	—	—	−194	−1,478
Other capital expenditure	85	−1,825	−32	—	−6	−240	−2,018
Total	267	−23,893	−586	—	−3,870	−11,915	−39,997
(ii) Grants and net lending to local authorities and public corporations	3	−9,400	—	—	−3,875	−1,275	−14,547
Total Expenditure	270	−33,293	−586	—	−7,745	−13,190	−54,544(3)
C. Transactions within Central Government							
Grant to National Insurance Fund	—	−1,303	—	—	—	1,303	—
Northern Ireland central government: transfers and loans	—	−335	−631	—	−148	1,114	—
Purchase of United States military aircraft	—	−8	—	—	8	—	—
Other loans and advances	—	—	—	—	−11	11	—
Debt interest (including profits of Issue Department)	11	−5	−1,770	2,506	−1,036	294	—
B.B.C. licence revenue	237	−237	—	—	—	—	—
Surplus receipts for surrender, etc.	442	−245	—	—	—	−197	—
Deficit on Consolidated Fund	—	—	6,718	—	−6,718	—	—
Allowance for price changes (rounded)	—	−2,300	—	—	—	2,300	—
Total Internal Transactions	690	−4,433	4,317	2,506	−7,905	4,825	—
Grand Total (A, B and C)	**33,197(4)**	**−36,928(4)**	**3,731(4)**	**15,650(5)**	**−15,650(5)**	—	—

(1) Includes National Insurance Fund and the Northern Ireland central government: also includes receipts of and expenditure on imputed rent and sundry adjustments (timing, prices and shortfall).

(2) The borrowing requirement of the central government comprises the borrowing of the National Loans Fund, less any surplus (or plus any deficit) on the National Insurance Fund and changes in departmental balances invested in government debt, etc.

(3) As included within Table 14.

(4) As included in Table 8.

(5) As included in Table 11.

ANNEX

TABLE 16. PROPOSED CHANGES IN TAXATION

INLAND REVENUE

Income tax

It is proposed to increase the age allowance for the single person from £950 to £1,010 and for the married from £1,425 to £1,555.

It is proposed to increase the income limit up to which the full age allowance is granted from £3,000 to £3,250.

It is proposed to increase the child allowances by £60 from their present levels of £240 for each child not over 11, £275 for each child over 11 but not over 16 and £305 for each child over 16 to £300, £335 and £365 respectively.

It is proposed to alter the rules about the tax treatment of a married woman's income in the first year of marriage in order to end the situation in which a claim can be made both for the single person's allowance and the wife's earned income allowance.

It is proposed to increase the limits for relief against retirement annuity premiums from £1,500 to £2,250 (with proportionate increases for individuals born before 1916). For contracts for dependants or life insurance, the limit is increased from £500 to £750. It is further proposed to raise the upper age limit for retirement annuity contracts from 70 to 75.

It is proposed to introduce provisions authorising a change, as from the year 1979–80, in the system of allowing relief in respect of life assurance premiums; under the new system policyholders will normally obtain relief in respect of eligible premiums by deducting an appropriate amount from each premium at the time of payment.

It is proposed to amend the law relating to the taxation under Schedule E of benefits in kind. The rules for taxing the provision of cars and other tangible assets, and of certain services, will be changed; the provision for employees of certain loans at less than commercial rates of interest, and of certain other facilities in connection with share incentive schemes, will become taxable as benefits; and the present exemption from the benefits legislation of employees of charities and non-trading bodies, and those in the public service, will be withdrawn. These provisions will, apart from minor anti-avoidance measures, take effect from 1977–78.

*It is conditionally proposed to increase the single person's allowance and the maximum wife's earned income relief from £675 to £735 and the married allowance from £955 to £1,085.

*It is conditionally proposed to increase the additional personal allowance from £280 to £350.

*It is conditionally proposed to increase by £500 the threshold for each of the higher rate bands up to and including the 60 per cent band so that the structure of personal tax rates in operation in 1976–77 will be:

BANDS OF TAXABLE INCOME

£	*Per cent*	£	*Per cent*
0–5,000	35	8,500–10,000	60
5,000–5,500	40	10,000–12,000	65
5,500–6,500	45	12,000–15,000	70
6,500–7,500	50	15,000–20,000	75
7,500–8,500	55	Over 20,000	83

Income tax and corporation tax

It is proposed to continue the relief for increases in stock valuations on the lines of the interim arrangements last year, except that the relief will be calculated by reference to the amount of the book value increase less 15 per cent of trading profits after deduction of capital allowances.

It is proposed to introduce a measure to simplify the calculation of the writing-down allowances for capital expenditure, with some exceptions, incurred before 27 October 1970.

It is proposed to introduce provisions to counteract exploitation of the 100 per cent first-year allowance by higher rate taxpayers.

Corporation tax

It is proposed for the financial year 1975 to increase the lower and upper profit limits for the small companies rate of corporation tax from £25,000 and £40,000 to £30,000 and £50,000 respectively.

Capital gains tax

It is proposed to increase the limit for exempt small disposals from £500 to £1,000.

It is proposed to extend the rules for taxing accrued gains on the shares of companies acquired by the issue of government stock on a nationalisation.

It is proposed to widen the basis for the exemption of small disposals from the charge to tax on development gains.

* Proposals marked with an asterisk are conditional on agreement being reached on a low pay limit.

Capital transfer tax

It is proposed to value business interests including controlling holdings of unquoted shares and securities at 70 per cent of their open market value.

It is proposed to increase the annual exemption for gifts not exceeding a certain amount to £2,000.

It is proposed to modify the provisions relating to the conditional exemption for works of art, etc., and historic houses and to extend the exemption to lifetime transfers of such property and occasions of charge where it is held on discretionary trusts.

It is proposed to introduce a number of other amendments to the law relating to capital transfer tax.

Stamp duties

It is proposed to abolish the stamp duty on fixed interest loan stock (other than convertible stock) with effect from 17 May 1976.

CUSTOMS AND EXCISE

Value added tax

It is proposed that from 12 April 1976 the higher rate of value added tax shall be reduced from 25 per cent to 12½ per cent.

It is proposed to exclude from tax that may be deducted under Section 3 (1) of the Finance Act 1972 or refunded under Section 15 or 15A of that Act any value added tax that has been repaid or would be repayable if it had been paid.

It is proposed to amend Section 3 (4) of the Finance Act 1972 so as to provide enabling powers for regulations allowing the adjustment of provisional attribution of input tax to be dispensed with in certain circumstances.

It is proposed to amend paragraph 4 of Schedule 3 to the Finance Act 1972 to provide for necessary changes in the VAT treatment of credit charges when certain Orders are made under the Consumer Credit Act 1974.

It is proposed to amend the Finance Act 1972 with respect to the value for VAT purposes of imported goods and the supply of goods in warehouse where an Order is in force under Section 9 of the Finance Act 1961 providing for an economic regulator adjustment to the revenue duties.

Hydrocarbon oil duty

It is proposed to increase from 6 p.m. on 9 April 1976, the excise duties on light hydrocarbon oils, heavy hydrocarbon oils used as road fuel, petrol substitutes and power methylated spirits from 22½p a gallon to 30p a gallon, and on gas used as road fuel from 11¼p a gallon to 15p a gallon.

Spirits, beer, wine and made-wine

It is proposed to increase from 7 April 1976 the rates of excise duty on these commodities, as follows:

(*a*) the rates of duty on spirits, by £2·54 per proof gallon;

(*b*) the rates of duty on beer, by £2·16 per 36 gallons and the charge for each additional degree of original gravity above 1,030° to be increased by £0·072 per 36 gallons;

(*c*) the rates of duty on wine, by the following amounts per gallon:

Wine of an alcoholic strength	
not exceeding 15 per cent ...	£0·330
exceeding 15 per cent but not exceeding 18 per cent ...	£0·475
exceeding 18 per cent but not exceeding 22 per cent ...	£0·665
exceeding 22 per cent	£0·665
plus £0·045 for every 1 per cent or part of 1 per cent in excess of 22 per cent;	

(*d*) the rates of duty on made-wine, by the following amounts per gallon:

Made-wine of an alcoholic strength	
not exceeding 10 per cent ...	£0·220
exceeding 10 per cent but not exceeding 15 per cent ...	£0·330
exceeding 15 per cent but not exceeding 18 per cent ...	£0·330
exceeding 18 per cent	£0·330
plus £0·045 for every 1 per cent or part of 1 per cent in excess of 18 per cent.	

CUSTOMS AND EXCISE—*continued*

Cider

It is proposed that from 6 September 1976 a new excise duty at the rate of £0·22 a gallon shall be charged on cider and perry of a kind not dutiable as made-wine which is produced in, or imported into, the United Kingdom.

Tobacco

It is proposed that, with effect from 10 May 1976:

(*a*) there shall be charged on tobacco products manufactured in, or imported into, the United Kingdom a new duty of excise at the following rates:

(i) cigarettes	20 per cent of the retail price
(ii) cigars	£2·765 per lb
(iii) handrolling tobacco ...	£2·400 per lb
(iv) other smoking and chewing tobacco ...	£1·550 per lb

and a power shall be taken to enable these rates to be varied by Order;

(*b*) the rates of the existing customs and excise revenue duty and drawback shall be abated by £1·855 per lb.

Surcharges and rebates in respect of revenue duties

It is proposed to extend for a further year the existing powers under Section 9 of the Finance Act 1961 which enable the Treasury by Order to impose a surcharge or allow a rebate in respect of the main revenue duties of customs and excise.

TABLE 17. FORECAST EFFECTS OF CHANGES IN TAXATION

The effects shown are direct effects: *i.e.* the difference between the yields of pre-Budget and post-Budget tax rates at the same levels of income and activity. The expenditure tax figures do, however, allow for the effects of relative price changes on the composition of consumers' expenditure.

£ million

	Forecast for 1976–77	Forecast for a full year
INLAND REVENUE		
Income Tax		
Increase in age allowance by £60 (single) and £130 (married)	−39	−54
Increase in age allowance income limit	−7	−10
Increase in child allowances by £60	−235	−300
Change in allowance in year of marriage	+50	+60
Increase in retirement annuity relief ceiling	−5	−10
Change in method of giving life insurance relief	Nil	−90[1]
Change in treatment of fringe benefits	Negligible	+100[2]
*Increase in married allowance by £130 and in single allowance by £60 ...	−640	−810
*Increase in additional personal allowance by £70	−6	−7
*Increase in higher rate thresholds	−50	−103
Income tax and corporation tax		
Change in method of giving stock relief	−35	−70[3]
Change in treatment of capital allowances for expenditure prior to 1970 ...	Negligible	−5
Increase in limit for small company relief	−9	−15
Capital gains tax		
Increase in limit for exempt small disposals	Negligible	−1
Capital transfer tax		
Relief for business assets	−7	−15
Stamp duties		
Abolition of transfer duty on loan capital	−7	−10
TOTAL INLAND REVENUE	−990	−1,340
CUSTOMS AND EXCISE		
Value Added Tax		
Reduction of higher rate to 12½ per cent:		
On goods and services other than petrol	−125	−175
On petrol	−125	−185
Alterations in revenue duty rates	+25	+35
Minor amendments to Finance Act, 1972	Negligible	Negligible
Revenue Duties		
Increase in rate of road fuel duty	+425	+435
Increase in rates of spirits duties	+25	+25
Increase in rates of beer duty	+90	+95
Increase in rates of wine and made-wine duties	+25	+25
Introduction of excise duty on cider and perry	+5	+10
Conversion of tobacco duties	+30	+105
TOTAL CUSTOMS AND EXCISE	+375	+370
Total	**−615**	**−970**

(1) The proposed change will not become effective until 1979–80.
(2) The yield for 1977–78 when the scale for cars will come into effect at half the full rate is £35 million.
(3) The total eventual cost of the additional relief for accounting periods ending in 1975–76 is £65 million corporation tax, £5 million income tax.

* These proposals are conditional on agreement being reached on a low pay limit.

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