

Financial Statement and Budget Report 1974-75

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the House by the CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

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PART 1

THE ECONOMIC BACKGROUND TO THE BUDGET

REVIEW OF THE PAST YEAR

1. The changes in taxation introduced in the Budget in March 1973 were intended to be broadly neutral in their effect on the rate of growth of demand and output. The expectation was that the gross domestic product would rise at an annual rate of about 5 per cent in real terms over the eighteen months between the second half of 1972 and the first half of 1974. The rate of growth was expected to be particularly rapid in the early part of the period, as earlier expansionary policies continued to have their effects. It was expected to slow down by the first half of 1974 to a rate near the underlying rate of growth of productive potential. Unemployment was expected to go on falling throughout the financial year 1973-74, and some deficit was expected in the current account of the balance of payments.

2. The Budget Statement noted that contingency work was in hand on revisions to public expenditure programmes. In May cuts were announced mainly affecting programmes for the financial year 1974-75. The purpose of this was to ensure that adequate resources would be available in that year for exports, industrial investment and a reasonable growth of personal consumption. In the autumn of 1973 the consultative document⁽¹⁾ on Stage 3 of the counter-inflation policy stated that growth was expected to continue during 1974 at a rate broadly in line with the long term rate of growth of the economy's productive potential. At the same time steps were taken immediately to re-phase some public sector construction programmes to ease the overload which had developed in parts of the construction industry. A special payment to pensioners, which was to be made before Christmas, was also announced. Monetary policy during 1973 is described in paragraphs 17-21 below.

3. In December the rapid worsening of the energy situation led to restrictions on the use of electricity by most of industry and commerce. The prospective shortages of oil and coal led to the announcement on 17 December of measures to adjust the home economy and safeguard the balance of payments. These measures included the reintroduction of controls on consumer credit, a surcharge on surtax liabilities, and cuts of £1,200 million against the levels set for 1974-75.

⁽¹⁾ The Price and Pay Code for Stage 3. A Consultative Document, Cmnd. 5444.

in the newly published programmes for public expenditure.⁽²⁾ Subsequently new prices for oil, the loss of coal production and restrictions on activity in industry and commerce, and the intensity of inflation have been dominant concerns.

Output

4. As foreseen at the time of the 1973 Budget output rose fast between the second half of 1972 and the first half of 1973 and the margin of slack in the economy was much reduced. The rate of expansion slackened in the second half of last year, reflecting the pattern of demand and also, in some instances, capacity limitations. The lack of further expansion at the end of the year was partly attributable to fuel and energy shortages. With the spurt early in the period the growth of GDP over the year between the second half of 1972 and the second half of 1973 shows a rise of 4½ per cent, less than forecast a year ago but still well above the trend growth in productive potential.

5. In the first months of 1974 output was severely curtailed as a result of the loss of coal production. Something like a fifth of industrial production may have been lost in the first months of 1974. Losses outside industry have been much less, and for GDP as a whole the rate of loss has perhaps been of the order of 10 per cent. A full assessment will not be possible for some time.

The Labour Market

6. Unemployment fell until the end of 1973, continuing the trend which began in the spring of 1972. In December 1973 the unemployment rate for the United Kingdom as a whole was 2.2 per cent (seasonally adjusted, and excluding school leavers and adult students). Though this was still a high rate for the country as a whole compared with previous times of high economic activity there were reports of shortages of skilled labour in some important areas. The absence of about 250,000 school-leavers seems to have been a factor increasing demand for other workers, both full time and part-time. The rise in adult job vacancies, which had mirrored the movement of unemployment through most of 1973, levelled off in the fourth quarter.

⁽²⁾ Public Expenditure to 1977-78, Cmnd. 5519.

7. The United Kingdom unemployment rate rose to some 2.5 per cent in the first quarter of 1974. Short-time working was reflected principally in the number of temporarily stopped workers. The number laid off for some part of the week and registered for benefit was 1.4 million in the week of 11 February. In the next three weeks the number tended to fall. In the week of 11 March, at the end of three-day working, relatively few were registered. The number of job vacancies remaining unfilled fell sharply in January but remained substantially unchanged in the next two months.

Home Demand

8. Consumers' expenditure rose very sharply in the early part of 1973, partly, it seems, in anticipation of the introduction of value added tax. Later in the year the growth of retail sales was sluggish, and the preliminary estimates suggest little change in the volume of consumers' expenditure between the two halves of last year. In 1973 as a whole the volume of consumers' expenditure was perhaps 4½ per cent more than in 1972, well above an average rate of increase. The level in the second half year alone was some 3 per cent above a year earlier. The path of consumption was broadly matched by the path of real personal disposable income (RPDI). In the second half year RPDI was over 4½ per cent higher than a year earlier. Table 1 summarises the preliminary estimates of changes between the second halves of 1972 and 1973.

9. Public sector expenditure on goods and services is estimated to have increased rather less during 1973 than had been expected, with public investment in particular falling short of expectation. Manufacturing investment was rising strongly during the year and in the second half was 12 per cent higher than a year earlier. Other private investment was also significantly higher by the second half of 1973 but the increase took place mainly in the early part of 1973. Manufacturers' stocks, which had fallen heavily in 1972, appear to have increased at a high rate during 1973, but the ratio of stocks to output remained low by historical standards. Retailers' stocks showed strong increases in the year and wholesale stocks a moderate rise. Stocks must have been drawn on in the first quarter of 1974 to help bridge the gap between output and final demand.

Exports and imports

10. Both exports and imports of goods and services rose more in volume during 1973 than had been predicted at the time of the 1973 Budget. Over the period between the second half of 1972 and the second half of 1973 both increased at approximately the same rate, exports by 10½ per cent and imports by 10½–11 per

cent. The depreciation of sterling gave United Kingdom exports a strong advantage in world markets. Controls on the prices of home sales will also have made exporting relatively more attractive. The volume of imported raw materials and fuels and of manufactured goods rose fast during 1973, as the economy approached full utilization of capacity. Export deliveries were well maintained in January and February but imports, particularly of semi-manufactured goods, showed an increase.

Industrial production

11. The most recent estimates of industrial production show an increase of 6 per cent between the second half of 1972 and the second half of 1973. The estimates for the second half of 1973 show no apparent growth over the first half year. The reduction of coal output had a direct effect in November and December, and the effects of coal shortages and the consequential emergency measures led to a reduction in manufacturing production before the end of the year. The first estimate of the index of industrial production in January shows a fall of about 10 per cent compared with the average of the second half of 1973. For manufacturing industry alone the fall is much the same. These estimates understate the loss of output to the extent that the index measures deliveries rather than production.

Prices and incomes

12. Stage 1 of the counter-inflation policy was introduced in November 1972. This standstill on pay and prices was succeeded in the spring of 1973 by Stage 2, under which prices and pay increases were subject to limitations set out in the Price and Pay Code administered by the Price Commission and the Pay Board respectively. In November, Stage 3 began. This retained the broad framework of Stage 2 but allowed more flexibility on pay.

13. In the fourth quarter of 1973 the index of average earnings was about 12½ per cent higher than a year earlier, compared with the rise in the period between the fourth quarters of 1971 and 1972 of nearly 16 per cent. In Stage 2 price increases granted by the Price Commission to pre-notifying enterprises were significantly smaller than those applied for and firms kept on average well below their profit margin reference levels. Nevertheless the rise in retail prices continued to accelerate during 1973. The increase on a year earlier of the retail prices index reached 13 per cent in February 1974.

14. External inflationary pressures became increasingly severe in 1973 and were an important factor in explaining rising domestic prices. Import prices rose

35 per cent between the fourth quarter of 1972 and the fourth quarter of 1973. This was due in part to the effective depreciation of sterling but rather more to the escalation of prices in world food and commodity markets. The most striking example of this escalation came towards the end of 1973 with the two increases in prices of crude oil, one in October and a second in December, which taken together amount to a virtual quadrupling of posted prices. The new oil prices are still adding to the import price index and the retail prices index.

15. Gross trading profits of companies continued to grow strongly in the first half of 1973, reflecting the upswing of economic activity. The increase slowed down later in the year. In 1973 gross trading profits in money terms were some 29½ per cent up on 1972 before deduction of stock appreciation. After deducting stock appreciation the increase is put at about 15 per cent, which is little different from the increase of 14½ per cent in income from employment over the same period.

16. The effect of three-day working on personal incomes in total has been lessened by the operation of guaranteed week arrangements and payment of unemployment benefits. The loss of trading profits in the private sector and of public corporations' trading surpluses will probably have been larger than the loss of personal incomes.

Monetary developments

17. Monetary policy became increasingly restrictive during 1973. After declining in the early months of the year interest rates rose and pressure developed on the banks' reserve assets ratios. Even more than in 1972 there was a sharp divergence between the movement of the narrow version of the money supply (M1) and that of the broad version (M3). In the 12 months to mid-February 1974 M1 rose by about 4 per cent, while M3 rose by 27 per cent. The faster growth in M3 reflected interest arbitrage transactions and the continuing changes stemming from the competition and credit control arrangements introduced in 1971. It was also due in part to high interest rates on deposit accounts at the banks, which caused a shift into interest-bearing liabilities. It is difficult therefore to interpret movements in the money supply figures over the past year.

18. The main expansionary influence on M3 in 1973 was the growth in sterling bank lending to the private sector, amounting to about £5,500 million in the calendar year. As in 1972, much of this increase went to companies and added to their liquidity. Lending to persons increased strongly until late summer

but then levelled off. The borrowing requirement of Central Government was less than expected. Much of it was covered by sales of debt to the non-bank public. Extensive borrowings by nationalised industries and local authorities in foreign currencies under the exchange guarantees introduced in the 1973 Budget reduced the borrowing requirement of the Central Government, but the borrowing requirement of the public sector as a whole was unaffected. In the second half of the year the external deficit was a contractionary influence on money supply.

19. Interest rates fell in the early months of 1973 as the main tax-gathering season passed. Many overseas rates were rising so that by early summer short-term rates in London had become seriously out of line with those in foreign centres. This contributed to pressure on sterling. The public sector deficit was also emerging more strongly and there was the prospect that the banks would become more liquid. On 19 July the authorities called in a further 1 per cent of Special Deposits to tighten bank reserves and to bring short-term interest rates more into line with those abroad. The arrangements for controlling the discount market were also changed. These moves had a marked effect on short-term interest rates; the Bank of England's Minimum Lending Rate rose from 7½ per cent to 11½ per cent by the end of July, and the clearing banks' base rates, which had been reduced to 8 per cent in June, were raised to 11 per cent by late August.

20. Bank lending continued to grow and the Governor of the Bank of England wrote to the banks on 11 September asking for significant restraint in all lending to persons except for house purchase. In addition he sought further restraint in lending for property development and financial transactions. The banks were also asked not to pay more than 9½ per cent interest on deposits of less than £10,000 in order to limit the effects of their competition for funds on the building societies, whose net inflow was sharply reduced after July. On 13 November, amidst growing concern over the visible trade deficit, a call was made for a further 2 per cent of Special Deposits. At the same time the Minimum Lending Rate was set at 13 per cent and the clearing banks responded immediately by raising their base rates to the same level.

21. The banks' reserve assets declined in December. They became very active bidders for funds in the money markets to meet the strong demand for credit by their customers, and money market rates rose sharply in consequence. To discourage excessive bidding for funds a scheme was introduced on 17 December under which non-interest-bearing supplementary deposits would have to be placed with the Bank of England if interest-bearing liabilities of the

banks grew by more than 8 per cent between the three banking months to mid-December 1973 and the three banking months to mid-June 1974. In conjunction with the introduction of this scheme 1 per cent of the call for Special Deposits made on 13 November was revoked, hire purchase controls were reintroduced and the clearing banks announced measures to discourage interest arbitrage transactions. In January the banks' liquidity came under further pressure because of a higher than expected tax revenue surplus in the month. Short-term interest rates increased sharply, reaching levels above 16 per cent. This tightness of monetary conditions was inappropriate in a period when firms' finances were subject to the strains of three-day working, and $\frac{1}{2}$ per cent of Special Deposits were repaid on 4 February to relieve the tightness. Short-term rates then eased for a time.

The balance of payments

22. The main balance of payments statistics can be found in Table 2. The balance of payments deficit on current account was about £1,470 million in 1973 compared with a small surplus in 1972. The visible trade deficit increased by about £1,700 million to reach a total of about £2,400 million. The net surplus on invisible earnings amounted to over £900 million, a significant gain on the previous year. Capital inflows were substantial. The currency inflow during the year was £210 million, and the reserves increased by this sum. Valued at the closing market rate the reserves at the end of 1973 were £2,787 million (\$6,476 million).

23. Sterling continued to float and depreciated against the United States dollar and European currencies. Taking into account movements in the exchange rates of major currencies and their relative importance in United Kingdom trade, the mean effective depreciation of sterling since the Smithsonian agreement in December 1971 averaged 14.6 per cent in 1973. In the first half of the year the effective depreciation kept fairly steady in the range of 10–12 per cent. In June and July there was a rapid fall, but since late July the effective depreciation has remained in the range 17–20 per cent. The sterling guarantee agreements, originally made in 1968 with individual overseas sterling countries, expired on 24 September 1973. By then it had been announced that guarantees against exchange rate changes could continue on certain official sterling reserves until 31 March 1974. Payments under the expiring agreements totalled £59 million in 1973.

24. World output and trade accelerated rapidly during the first half of 1973, but the pace of expansion eased in the second half of the year. The volume of United Kingdom exports of goods increased by about 11½ per

cent between 1972 and 1973 but in the second half of the year a marked slackening of growth was apparent. Prices of United Kingdom exports increased by some 12½ per cent in 1973, and the increase in the value of exports in 1973 was 25 per cent. The rise in export prices was particularly marked later in the year. This reflected rising wage and raw material costs and opportunities for improving profit margins on export sales.

25. The United Kingdom's competitive position can be illustrated by comparing United Kingdom prices of exported manufactured goods with those charged by main overseas competitors, both prices expressed in dollars. Using this comparison there was a loss of about 5 per cent in competitiveness from the second half of 1968, a period when the full effects of the 1967 devaluation had come through, up to the first half of 1972. Since then there has been a recovery of about 15 per cent.

26. The value of United Kingdom imports of goods increased about 40 per cent between 1972 and 1973. Some two-thirds of the rise was attributable to the increased prices of imports, more than half reflecting increases in world commodity prices and the balance the depreciation of sterling. The value of imports of fuels rose in the fourth quarter as the effects of the October increase in oil prices began to show. The volume of imported goods was 13½ per cent higher in 1973 than in 1972, and a large part of this increase was in finished manufactures, including capital equipment.

27. Net invisible earnings increased markedly in 1973 following a slight decline in 1972. The first payments were made to the European Communities budget; and military costs overseas continued to increase, largely reflecting the depreciation of sterling against the Deutschmark. Both debits and credits on shipping account increased, with little change in the net position. The surplus on civil aviation account and on travel remained about the same as in 1972, while in insurance there was a substantial fall in net earnings, mainly from the United States. On the other hand earnings by other financial institutions rose and so did earnings of commissions. The net surplus on interest, profits and dividends increased substantially last year. The world boom increased receipts of profits and dividends from direct investment overseas. This more than offset rising interest payments on sterling liabilities.

28. Amongst investment and other capital flows in 1973 there was very substantial public sector borrowing overseas amounting to about £1,100 million, nearly all under the exchange cover scheme announced in the 1973 Budget. Official long-term capital outflows were

little changed despite contributions to the European Investment Bank and to the European Coal and Steel Community. Overseas investment in the United Kingdom private sector rose strongly in 1973, with a recovery in direct investment and in oil investment from the exceptionally low level in 1972. United Kingdom private investment overseas was lower. There was a sharp rise in direct investment, mainly reflecting the surge in overseas earnings. But the very large portfolio investment outflows experienced in 1972, largely financed by foreign currency borrowings, were not repeated and there was significant net disinvestment for part of the year. Oil and miscellaneous investment also fell with the sale to Japan of assets in Abu Dhabi. Export credit outflow in 1973 was down on the year before and small in relation to the rise in export value. The inflow of credit on imports on the other hand was only slightly down, and trade credit as a whole showed a very small net inflow in 1973 in contrast to the net outflow in the preceding year.

29. Official sterling holdings in the United Kingdom rose over the year despite a substantial outflow in the third quarter. There was a further small reduction in the short-term sterling funds held in the United Kingdom by private investors and a sizeable increase in sterling borrowing from United Kingdom banks

by non-residents. In contrast to 1972 the balancing item was heavily positive, and probably reflected some unwinding of the previous year's unrecorded capital outflows.

Forecasts in the Financial Statement and Budget Report 1973–74 and outturn

30. Table 3 compares the forecasts of GDP and its main components published last year in the Financial Statement and Budget Report 1973–74 against the provisional estimates of outturn. It covers the period between the second half of 1972 and the second half of 1973. The table shows that last year's forecast overestimated the growth in consumers' expenditure. The very rapid increase in the first half of 1973 may have involved some bringing forward of consumers' expenditure from the second half into the first half of the year. There was also a shortfall in public expenditure on goods and services. Cuts made during the year in programmes for 1973–74 were a factor. Private fixed investment and the volume of exports of goods and services both rose more than forecast. The rise in total final expenditure was not far from forecast, but the volume of imports of goods and services rose more than expected and on present estimates the outturn for GDP appears to have fallen short of forecast over the period of comparison.

TABLE 1. ESTIMATED CHANGES IN PERSONAL INCOME, CONSUMER PRICES AND CONSUMERS' EXPENDITURE DURING 1973

2nd half 1972 to 2nd half 1973								£ million	Per cent
Wages and salaries	...	...	...	...	...	...	...	2,380	14.0
Total personal income	...	...	...	...	...	...	...	4,170	15.2
Personal disposable income ⁽¹⁾	3,120	13.9
Consumers' expenditure price deflator	...	...	...	...	...	...	...		8.9
Real personal disposable income, at 1970 prices	...	...	...	...	...	...	...	890	4.7
Personal saving, at 1970 prices ⁽²⁾	370	
Consumers' expenditure, at 1970 prices	...	...	...	...	...	...	...	520	3.0

(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 RPD was 8.9 per cent in the second half of 1972 and 10.3 per cent in the second half of 1973.

TABLE 2. BALANCE OF PAYMENTS

£ million

	1971	1972	1973	1972		1973	
				1st half	2nd half	1st half	2nd half
CURRENT ACCOUNT				Seasonally adjusted			
Exports	8,796	9,134	11,435	4,470	4,664	5,427	6,008
Imports	8,511	9,811	13,810	4,655	5,156	6,177	7,633
Visible balance	+285	-677	-2,375	-185	-492	-750	-1,625
Invisible balance	+782	+746	+907	+368	+378	+368	+539
Current balance—seasonally adjusted	+1,067	+69	-1,468	+183	-114	-382	-1,086
				Not seasonally adjusted			
A. CURRENT BALANCE—not seasonally adjusted ...	+1,067	+69	-1,468	+155	-86	-548	-920
B. CAPITAL TRANSFERS ⁽¹⁾	—	—	-59	—	—	-57	-2
C. INVESTMENT AND OTHER CAPITAL FLOWS							
Official long-term capital	-273	-256	-254	-82	-174	-87	-167
Overseas investment in United Kingdom public sector	+179	+113	+301	+84	+29	+112	+189
Overseas investment in United Kingdom private sector	+1,008	+729	+1,365	+314	+415	+640	+725
United Kingdom private investment overseas ...	-875	-1,450	-1,253	-698	-752	-623	-630
Overseas currency borrowing or lending (net) by United Kingdom banks:							
Borrowing to finance United Kingdom investment overseas	+280	+720	+470	+350	+370	+240	+230
Borrowing to finance lending to United Kingdom public sector ... ..	..	..	+831	..	..	+273	+558
Other borrowing or lending (net)	+219	-249	-84	-368	+119	-144	+60
Exchange reserves in sterling:							
British government stocks	+55	+65	+74	+62	+3	+110	-36
Banking and money market liabilities ...	+658	+222	+65	+175	+47	+180	-115
Other external banking and money market liabilities in sterling	+709	-91	-30	-164	+73	+42	-72
Import credit	+77	+187	+166	+69	+118	+72	+94
Export credit	-172	-296	-155	-176	-120	-72	-83
Other short-term flows	-2	-451	-232	-401	-50	+7	-239
Total investment and other capital flows ...	+1,863	-757	+1,264	-835	+78	+750	+514
D. BALANCING ITEM	+298	-577	+473	-308	-269	+301	+172
Total currency flow (A + B + C + D)	+3,228	-1,265	+210	-988	-277	+446	-236
Allocation of Special Drawing Rights (+) ...	+125	+124	—	+124	—	—	—
Total of above	+3,353	-1,141	+210	-864	-277	+446	-236
Official financing:							
Net transactions with overseas monetary authorities							
IMF ⁽²⁾	-554	-415	—	-415	—	—	—
Other monetary authorities	-1,263	+864	—	+1,424	-560	—	—
Drawings on (+)/additions to (-) official reserves ^{(2) (3)}	-1,536	+692	-210	-145	+837	-446	+236
Total official financing	-3,353	+1,141	-210	+864	+277	-446	+236

(1) Payments under the Sterling Agreements of 1968 as renewed in 1971.

(2) From July 1972 transactions with the IMF affecting the United Kingdom reserve position in the Fund are included as changes in official reserves.

(3) From 23 August 1971, valued in sterling at transactions rates of exchange.

TABLE 3. 1973 FORECAST AND ESTIMATED OUTCOME

Percentage changes: 2nd half 1972 to 2nd half 1973 (at constant prices)

	1973 forecast	Estimated outcome
	Per cent	Per cent
Consumers' expenditure	4.1	3.0
Public expenditure on goods and services:	5.7	3.5
Public authorities' consumption	5.0	4.0
Public fixed investment	7.4	2.1
Private fixed investment	7.5	7.7
Exports of goods and services	8.6	10.4
Stockbuilding	—	—
Total final expenditure	6.1	5.7
Imports of goods and services	7.2	10.8
Adjustment to factor cost	5.1	4.9
Gross domestic product at factor cost	6.0	4.5

Notes:

1. In the course of 1973 constant price national income data were changed from 1963 prices to 1970 prices. Comparisons in £ million between last year's forecasts (1963 prices) and the estimated outcome (1970 prices) would thus be misleading. Therefore Table 3 compares growth rates forecast a year ago at constant 1963 prices and outturn rates as now estimated in constant 1970 prices. Estimates of growth rates are little affected by the change in base.

2. 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 only in respect of minor timing 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.

3. The definition of public and private investment differs between Table 3 and Table 4 in the treatment of net transactions in land and existing buildings.

THE OUTLOOK FOR ECONOMIC ACTIVITY

31. The forecasts set out in Table 4 are more than usually uncertain and are limited to the end of the present calendar year. They show, however tentatively, a fall in gross domestic product of 5 per cent in the first half of 1974 compared with the second half of 1973. In the second half of 1974 GDP is put at 2½ per cent above a year earlier.

32. The after-effects of three-day working will influence demand, imports and home output in the period ahead. The indicators so far available fit the hypothesis that not a great deal of final demand has been lost or postponed so far this year. The February trade figures show that by then some shortages of materials and components were being eased by additional imports. Most of the gap between demand and output has probably been met from stocks. Looking ahead, it must be uncertain how fast and how far stocks will be rebuilt and what other reactions will result from the losses of profits and of personal income in the period of restricted activity. The outlook for the world economy is another area of uncertainty, affecting for instance prospects for exports and for import prices.

33. The following paragraphs comment on the forecasts in Table 4.

34. Total public expenditure on goods and services is forecast to be a little lower in 1974 than it is estimated to have been last year. This reflects the decisions of last December and the further decisions outlined in the Budget statement. *Public authorities' current expenditure on goods and services* rises less than in the recent past. *Public sector investment*, which slowed down during the latter part of 1973, is expected to fall. The measures of last December primarily affected investment programmes.

35. *Private sector fixed investment* may be a little lower this year than it was in 1973. Within the total,

investment by manufacturing industry is forecast to rise though not to the full extent suggested by intentions' enquiries taken at the end of last year and the beginning of this year. Investment in private housing seems likely to fall back from the very high rate of last year. Other private investment may perhaps not change greatly.

36. *Investment in stocks* is shown at a very high rate in the second half of 1974, following the fall in the first part of the year. At the end of 1973 stocks were still low by historical standards in relation to the level of output or turnover. The forecast as a whole implies that these ratios would be about the same at the end of 1974 as they were at the end of 1973.

37. *Consumers' expenditure* is forecast to be a little higher in the second half of this year than it was in the second half of last year. This is a very difficult area to forecast. When money incomes and prices are both rising fast and real disposable incomes are changing little (they have probably fallen in the first half of this year) it must be uncertain how far consumption will be maintained at the expense of the proportion of income saved.

38. The growth of world trade in manufactures began to slow down during 1973 and growth during 1974 may again be quite slow. United Kingdom *exports* are competitive and this is expected to ensure their continued growth. Exports of manufactured goods are likely to rise faster than the total of exports of goods and services.

39. The forecasting of *imports* of goods and services is made the more uncertain by the output losses early this year. The rebuilding of stocks seems likely to draw in some additional imports. At the same time import prices are relatively high. Imports are forecast to rise a little faster than home output.

THE OUTLOOK FOR ECONOMIC ACTIVITY—continued

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

	Consumers' expenditure	Public expenditure on goods and services			Private fixed investment	Exports of goods and services	Investment in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Gross domestic product at factor cost	GDP index 1970 = 100
		Public authorities' consumption	Public investment	Total								
1971	32,250	9,400	4,100	13,500	5,200	12,050	-200	62,800	11,400	7,900	43,500	101.3
1972	34,200	9,700	3,850	13,550	5,600	12,350	-250	65,450	12,500	8,450	44,500	103.7
1973	35,700	10,100	3,950	14,050	5,850	13,450	700	69,750	13,900	8,900	46,950	109.4
1974	35,600	10,150	3,800	13,950	5,800	13,850	300	69,500	14,300	8,750	46,450	108.2
1971 first half	15,900	4,650	2,100	6,750	2,550	5,900	—	31,100	5,700	3,850	21,550	100.4
1971 second half	16,350	4,750	2,000	6,750	2,650	6,150	-200	31,700	5,700	4,050	21,950	100.4
1972 first half	16,850	4,800	2,000	6,800	2,750	6,200	-250	32,350	6,150	4,200	22,000	102.3
1972 second half	17,350	4,900	1,850	6,750	2,850	6,150	—	33,100	6,350	4,250	22,500	104.8
1973 first half	17,850	5,000	1,950	6,950	2,900	6,850	400	34,750	6,850	4,450	23,450	109.3
1973 second half	17,850	5,100	2,000	7,100	2,950	6,800	300	35,000	7,050	4,450	23,500	109.5
1974 first half	17,600	5,050	1,850	6,900	2,900	6,750	-450	33,700	7,000	4,350	22,350	104.1
1974 second half	18,000	5,100	1,950	7,050	2,900	7,100	-750	35,800	7,300	4,400	24,100	112.3
Percentage changes												
First half 1972 to first half 1973	6	3½	-2	2	6	7½		7½	11½	6½	6½ ⁽²⁾	
Second half 1972 to second half 1973	3	4	8	5	4	10½		5½	11	5	4½	
First half 1973 to first half 1974	-1½	1½	-5½	-½	-1	1		-3	2	-3	-4½ ⁽²⁾	
Second half 1973 to second half 1974	1	—	-4½	-1	-2	4½		2½	3½	-1	2½ ⁽²⁾	

£ million at 1970 prices, seasonally adjusted

(1) All figures in Table 4 are based on "compromise" estimates of gross domestic product. For further explanation, see note to Table 3.
 (2) Affected by fuel shortages which reduced output early in 1972.
 (3) Affected by fuel shortages which reduced output early in 1974.

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.* They 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 consistent with the relevant components of the economic forecasts, which are shown in Part I 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 Funds 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 1973-74 and in 1974-75 are measured at the estimated outturn prices of each year. In Tables 5 and 7 the 1973 Budget estimates for 1973-74 are shown alongside the provisional outturn and for 1974-75 the estimated

* 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.

position before and after the 1974 Budget changes is shown.

The provisional outturn figures for local authorities and public corporations are based on information for only three-quarters of the financial year, while those for the central government are based on the known totals of receipts and issues to mid-March. The estimates of local authorities and public corporations are also of a different character from those for central government, since they are not directly related to an authorisation by Parliament.

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.

TABLE 5. PUBLIC SECTOR TRANSACTIONS

	1973-74		1974-75 Estimates	
	Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	9,479	9,487	12,313	13,030
National insurance contributions, etc.	4,058	4,063	5,221	5,221
Taxes on expenditure, central government	7,457	7,456	8,342	9,012
Local rates	2,640	2,716	3,250	3,250
Gross trading surplus ⁽²⁾ —				
Central government and local authorities	167	206	152	152
Public corporations	2,074	2,060	2,620	2,620
Rent ⁽²⁾	1,436	1,669	1,888	1,888
Interest, dividends, etc.	456	652	742	742
TOTAL	27,767	28,309	34,528	35,915
CAPITAL RECEIPTS				
Current surplus ⁽²⁾	3,341	2,775	4,969	5,859
Taxes on capital	747	813	793	793
Capital transfers	30	27	28	28
Receipts from certain pension "funds" (net)	109	142	148	148
Adjustments for accruals of taxes on expenditure	-936	-485	-322	-332
Miscellaneous capital transactions (net)	16	255	-292	-280
Borrowing requirement (net balance) ⁽³⁾ —				
Central government	3,996	2,423	2,427	1,525
Local authorities ⁽⁴⁾	665	1,123	570	771
Public corporations ⁽⁷⁾	-238	730	450	437
Total borrowing requirement	4,423	4,276	3,447	2,733
TOTAL	7,730	7,803	8,771	8,949

(1) Differences from the figures given in Table 5 of the Financial Statement and Budget Report 1973-74 (H.C.173) reflect changes of classification.

(2) Before allowing for depreciation and stock appreciation.

(3) Includes estimated payments under sterling guarantee arrangements: £22 million in 1973-74 and £80 million in 1974-75.

(4) Includes refinancable export credits.

(5) Defined as in Financial Statistics.

(6) Borrowing other than from central government and public corporations.

(7) Borrowing other than from central government and local authorities; includes redemption of stock.

total receipts

34883 36272

+ 1389

BY ECONOMIC CATEGORY

£ million

	1973-74		1974-75 Estimates	
	Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services—				
Central government	8,052	7,868	9,496	9,441
Local authorities	5,592	5,806	6,422	6,422
Subsidies—				
Central government	1,056	1,741	1,393	1,942
Local authorities	52	88	226	229
Debt interest	2,736	3,020	3,429	3,429
Current grants to personal sector—				
Central government	6,166	6,212	7,648	7,648
Local authorities	467	450	550	550
Current grants abroad	305	349	395	395
Total current expenditure	24,426	25,534	29,559	30,056
Current surplus ⁽²⁾	3,341	2,775	4,969	5,859
TOTAL	27,767	28,309	34,528	35,915
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation—				
Central government	881	794	977	958
Local authorities	2,675	2,874	2,457	2,667
Nationalised industries	1,999	1,694	2,212	2,212
Other public corporations	250	230	708	695
Increase in value of stocks—				
Central government	44	43	91	91
Nationalised industries	72	212	265	265
Capital grants to private sector	932	852	899	899
Capital transfers abroad ⁽³⁾	15	22	63	63
Net lending to private sector	334	571	611	611
Net lending to overseas governments	59	70	78	78
Drawings from United Kingdom subscriptions to international lending bodies	40	42	36	36
Other net lending and transactions abroad ⁽⁴⁾	428	392	348	348
Cash expenditure on company securities (net)	1	7	26	26
TOTAL	7,730	7,803	8,771	8,949

total expenditure

38330 39005

+ 675

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

£ million

Receipts positive/payments negative	1973-74 Provisional outturn				1974-75 Estimate after Budget changes			
	Central government	Local authorities	Public corporations ⁽¹⁾	Total	Central government	Local authorities	Public corporations ⁽¹⁾	Total
A. RECEIPTS								
Taxes on income	9,507	-14	-6	9,487	13,033	2	-5	13,030
National insurance contributions, etc. ...	4,063	—	—	4,063	5,221	—	—	5,221
Taxes on expenditure	7,456	2,716 ⁽²⁾	—	10,172	9,012	3,250 ⁽²⁾	—	12,262
Gross trading surplus ⁽³⁾	14	192	2,060	2,266	22	130	2,620	2,772
Rent ⁽³⁾ , interest and dividends, etc. ...	385	1,578	358	2,321	381	1,700	549	2,630
Taxes on capital and other capital transfers	813	—	27	840	793	—	28	821
Other financial transactions ⁽⁴⁾	375	-14	-449	-88	-428	-22	-14	-464
Borrowing requirement	2,423	1,123	730	4,276	1,525	771	437	2,733
TOTAL RECEIPTS	25,036	5,581	2,720	33,337	29,559	5,831	3,615	39,005
B. EXPENDITURE								
Current expenditure on goods and services	-7,868	-5,806	—	-13,674	-9,441	-6,422	—	-15,863
Debt interest	-1,939	-867	-214	-3,020	-2,116	-1,014	-299	-3,429
Current grants to personal sector	-6,212	-450	—	-6,662	-7,648	-550	—	-8,198
Other current expenditure	-2,090	-88	—	-2,178	-2,337	-229	—	-2,566
Gross domestic fixed capital formation ...	-794	-2,874	-1,924	-5,592	-958	-2,667	-2,907	-6,532
Increase in value of stocks	-43	—	-212	-255	-91	—	-265	-356
Capital transfers	-712	-162	—	-874	-799	-163	—	-962
Lending, etc.	-677	-321	-84	-1,082	-566	-382	-151	-1,099
TOTAL EXPENDITURE	-20,335	-10,568	-2,434	-33,337	-23,956	-11,427	-3,622	-39,005
C. TRANSACTIONS WITHIN PUBLIC SECTOR								
Interest and dividends	1,542	-592	-950	—	1,751	-746	-1,005	—
Current grants	-4,273	4,273	—	—	-5,087	5,087	—	—
Capital grants	-392	289	103	—	-474	338	136	—
Net lending	-1,578	1,017	561	—	-1,793	917	876	—
TOTAL	-4,701	4,987	-286	—	-5,603	5,596	7	—

(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.

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TABLE 7. PUBLIC SECTOR FINANCIAL SURPLUS AND BORROWING

£ million

	1973-74		1974-75 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
TOTAL PUBLIC SECTOR				
Saving ⁽¹⁾	3,341	2,775	4,969	5,859
Capital transfers (net)	-170	-34	-141	-141
Less: Gross domestic fixed capital formation	-5,805	-5,592	-6,354	-6,532
Increase in value of stocks	-116	-255	-356	-356
Financial deficit	-2,750	-3,106	-1,882	-1,170
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-1,673	-1,170	-1,565	-1,563
Borrowing requirement	4,423	4,276	3,447	2,733
CENTRAL GOVERNMENT				
Saving ⁽¹⁾	1,188	585	1,898	2,791
Capital transfers (net)	-500	-291	-480	-480
Less: Gross domestic fixed capital formation	-881	-794	-977	-958
Increase in value of stocks	-44	-43	-91	-91
Financial surplus/deficit	-237	-543	350	1,262
Financial transactions:				
Net lending to local authorities and public corporations	-2,442	-1,578	-1,793	-1,793
Increase (-) in other assets, etc. ⁽²⁾	-1,317	-302	-984	-994
Borrowing requirement ⁽³⁾	3,996	2,423	2,427	1,525
LOCAL AUTHORITIES				
Saving ⁽¹⁾	923	942	1,211	1,208
Capital transfers (net)	228	127	175	175
Less: Gross domestic fixed capital formation	-2,675	-2,874	-2,457	-2,667
Financial deficit	-1,524	-1,805	-1,071	-1,284
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-140	-335	-416	-404
Borrowing within public sector	999	1,017	917	917
Borrowing from other sources	665	1,123	570	771
PUBLIC CORPORATIONS				
Saving ⁽¹⁾	1,230	1,248	1,860	1,860
Capital transfers (net)	102	130	164	164
Less: Gross domestic fixed capital formation	-2,249	-1,924	-2,920	-2,907
Increase in value of stocks	-72	-212	-265	-265
Financial deficit	-989	-758	-1,161	-1,148
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-216	-558	-165	-165
Borrowing from central government	1,443	586	876	876
Borrowing from other sources ⁽³⁾	-238	730	450	437

(1) This is the current surplus 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.

(2) Includes unidentified items.

(3) Includes lending to local authorities.

(4) Includes redemption of stock.

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PART III **CENTRAL GOVERNMENT TRANSACTIONS**

TABLE 8. SUMMARY OF CONSOLIDATED FUND RECEIPTS AND ISSUES

£ million

	1973-74		1974-75 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
REVENUE (Table 9)				
Taxation	16,754	17,250	20,900	22,277
Miscellaneous Receipts	697	800	911	911
TOTAL	17,451	18,050	21,811	23,188
EXPENDITURE (Table 10)				
Supply Services	17,809	18,500	20,632	21,107
Consolidated Fund Standing Services	839	1,269	1,096	1,096
TOTAL	18,648	19,769	21,728	22,203
SURPLUS (+) TRANSFERRED TO OR DEFICIT (-) MET FROM THE NATIONAL LOANS FUND (Table 11)	-1,197	-1,719	+83	+985

TABLE 9. TAXATION AND MISCELLANEOUS RECEIPTS

£ million

	1973-74		1974-75 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
TAXATION				
<i>Inland Revenue—</i>				
Income Tax	7,233	7,058	9,415	9,682
Surtax	360	305	170	200
Corporation Tax	2,045	2,245	2,845	3,265
Capital Gains Tax	225	320	320	320
Death Duties	398	405	380	380
Stamp Duties	203	190	165	240
Other	—	2	—	—
Total Inland Revenue	10,464	10,525	13,295	14,087
<i>Customs and Excise—</i>				
Value added tax	1,150	1,425	2,495	2,700
Purchase Tax	350	380	—	—
Oil	1,650	1,580	1,610	1,610
Tobacco	1,030	1,065	1,075	1,275
Spirits, Beer and Wine	854	945	975	1,125
Betting and Gaming	190	186	205	235
Car Tax	120	100	125	125
Other Revenue Duties	7	9	10	10
Protective Duties, etc.	360	435	525	525
Import Levies	40	25	45	45
Total Customs and Excise*	5,751	6,150	7,065	7,650
Motor Vehicle Duties	500	535	540	540
Selective Employment Tax (gross)	39	40	—	—
TOTAL TAXATION	16,754	17,250	20,900	22,277
MISCELLANEOUS RECEIPTS				
Broadcast Receiving Licences	147	153	161	161
Interest and Dividends	90	111	125	125
Other	460	536	625	625
Total	17,451	18,050	21,811	23,188

*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

		1973-74		1974-75 Estimate		£ million
		Budget estimate	Provisional outturn	Before Budget changes	After Budget changes	
SUPPLY SERVICES*						
I. Defence	...	3,354		3,654	3,654	
II. Overseas Services	...	454		528	528	
III. Agriculture, Fisheries and Forestry	...	382		423	423	
IV. Trade, Industry and Employment	...	1,864		1,612	1,612	
V. Roads and Transport	...	900		955	955	
VI. Housing	...	522		647	647	
VII. Other Environmental Services	...	522		570	570	
VIII. Law, Order and Protective Services	...	776		937	937	
IX. Education and Libraries, Science and Arts	...	2,486		2,980	2,980	
X. Health and Personal Social Services	...	1,844		2,212	2,212	
XI. Social Security	...	528		594	594	
XII. Other Public Services	...	514		535	535	
XIII. Common Services	...	134		299	299	
XIV. Northern Ireland	...	3,292		3,558	3,558	
XV. Rate Support Grant, Financial Transactions, &c.	...					
<i>Total</i>	...	17,756	18,500	19,741	19,741	
Supplementary provision (net)	...	53	—	891†	1,366†	
TOTAL SUPPLY SERVICES	...	17,809	18,500	20,632	21,107	
CONSOLIDATED FUND STANDING SERVICES						
Payment to the National Loans Fund in respect of service of the National Debt	...	278	670	410	410	
Northern Ireland—share of taxes, etc.	...	382	350	397	397	
Post-war credits (including interest)	...	5	15	—	—	
Payments to the European Communities, etc.	...	160	219	275	275	
Other Services	...	14	15	14	14	
Total	...	18,648	19,769	21,728	22,203	

* The Budget estimate figures for 1973-74 have been reallocated to conform with the new classification applicable to 1974-75. It is not possible to reallocate the provisional outturn figures in the same way.

† This is the estimated net increase in Supply Votes in 1974-75 to take account of the following:

Civil Service pay increase	...	...	...	...	62	£ million
Social Security: additional provision for benefits	...	...	...	...	206	
Nationalised Industries' subsidies	...	...	...	...	470	
Housing subsidies, etc.	...	...	...	...	56	
Iranian oil arrangement	...	...	...	...	10	
Remission of fuel duty to the bus industry	...	...	...	...	17	
Calf and pigmeat subsidies	...	...	...	...	35	
Additional payments under the Commonwealth Sugar Agreement	...	...	...	...	35	
					891	
					—	
Food subsidies (including milk)	...	...	...	...	500	
Housing subsidies, etc.	...	...	...	...	12	
Defence savings	...	...	...	...	-55	
Maplin reappraisal	...	...	...	...	-4	
Regional Employment Premium continuation	...	...	...	...	37	
Roads savings	...	...	...	...	-15	
					1,366	

* The Budget estimate figures for 1973-74 have been reallocated to conform with the new classification applicable to 1974-75. It is not possible to reallocate the provisional outturn figures in the same way.
† This is the estimated net increase in Supply Votes in 1974-75 to take account of the following:

	£ million	£ million
Civil Service pay increase	62	
Social Security: additional provision for benefits	206	
Nationalised Industries' subsidies	470	
Housing subsidies, etc.	56	
Iranian oil arrangement	10	
Remission of fuel duty to the bus industry	17	
Calf and pigmeat subsidies	35	
Additional payments under the Commonwealth Sugar Agreement	35	
Food subsidies (including milk)	891	
Housing subsidies, etc.	500	
Defence savings	12	
Maplin reappraisal	-55	
Regional Employment Premium continuation	-4	
Roads savings	37	
	-15	
	1,366	

TABLE 11. NATIONAL LOANS FUND
Summary of Receipts and Payments

Receipts					Payments					£ million
	1973-74		1974-75 Estimate			1973-74		1974-75 Estimate		
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes		Budget estimate	Provisional outturn	Before Budget changes	After Budget changes	
INTEREST, ETC.					SERVICE OF THE NATIONAL DEBT					
Interest on loans, profits of the Issue Department of the Bank of England, etc. ...	1,697	1,670	2,150	2,150	Interest	1,920	2,284	2,500	2,500	
Service of the National Debt—balance met from the Consolidated Fund	278	670	410	410	Management and expenses	55	56	60	60	
TOTAL	1,975	2,340	2,560	2,560	TOTAL	1,975	2,340	2,560	2,560	
CONSOLIDATED FUND SURPLUS (+) OR DEFICIT (-)	-1,197	-1,719	+83	+985	LOANS (NET)*					
BORROWING:					To nationalised industries	1,254	188	139	139	
Redemption of nationalised industries' stock	349	349	—	—	To other public corporations	173	208	504	504	
Other (net)	3,304	2,755	1,509	607	To local and harbour authorities	978	976	902	902	
					To private sector	-6	-6	-14	-14	
					Within central government	57	19	61	61	
					TOTAL	2,456	1,385	1,592	1,592	
	4,431	3,725	4,152	4,152		4,431	3,725	4,152	4,152	

* Details in Table 12.

TABLE 12. LOANS FROM THE NATIONAL LOANS FUND
(Net issues)

		1973-74		1974-75 Estimate
		Budget estimate	Provisional outturn	
LOANS TO NATIONALISED INDUSTRIES:				
National Coal Board	...	94	21	4
Electricity Council	...	582*	-156	100
North of Scotland Hydro-Electric Board	...	40†	9	40
South of Scotland Electricity Board	...	101	9	68
British Gas Corporation	...	96	-38	8
British Steel Corporation	...	145	-3	66
Post Office	...	477	347	-152
British Airways Board	...	-36	-36	-36
British Airports Authority	...	—	35	35
British Railways Board	...	—	—	—
British Transport Docks Board	...	4	—	1
British Waterways Board	...	1	—	5
National Freight Corporation	...	—	—	—
National Bus Company	...	—	—	—
Scottish Transport Group	...	—	—	—
Allowance for shortfall	...	-250	—	—
TOTAL	...	1,254*†	188	139
LOANS TO OTHER PUBLIC CORPORATIONS:				
New Towns—Development Corporations and Commission	...	108	126	154
Scottish Special Housing Association	...	17	11	14
Housing Corporation	...	23	44	105
Covent Garden Market Authority	...	7	6	2
Sugar Board...	...	—	14	-14
Civil Aviation Authority	...	14	5	9
Maplin Development Authority	...	4	—	—
Regional Water Authorities	...	—	2	219
Royal Ordnance Factories	...	—	—	15
TOTAL	...	173	208	504
LOANS TO LOCAL AND HARBOUR AUTHORITIES:				
Local Authorities	...	950	968	875
Harbour Authorities	...	28	8	27
TOTAL	...	978	976	902
LOANS TO PRIVATE SECTOR:				
Shipbuilding Industry Board	...	—	—	-8
Ship Credit Scheme	...	-3	-3	-3
Housing Associations	...	—	-3	-3
Building Societies	...	—	—	—
TOTAL	...	-6	-6	-14
LOANS WITHIN CENTRAL GOVERNMENT:				
Purchase of United States military aircraft	...	-35	-37	-33
Married quarters for armed forces	...	—	—	—
Town and Country Planning compensation	...	-4	-4	-4
Redundancy Fund	...	-2	-4	20
Northern Ireland Exchequer	...	98	64	78
TOTAL	...	57	19	61
Total—Net Lending	...	2,456*†	1,385	1,592

* Includes advances to repay £341 million of British Electricity 3 per cent Guaranteed Stock, 1968-73.
† Includes advances to repay £8 million of North of Scotland Electricity 3 per cent Guaranteed Stock, 1968-73.
Further details of these items are contained in the White Paper on loans from the National Loans Fund (Cmd. 5580).

TABLE 13. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

£ million									
	1973-74		1974-75 Estimate			1973-74		1974-75 Estimate	
	Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes		Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS									
Taxes on income	9,498	9,507	12,316	13,033	CURRENT EXPENDITURE				
National insurance contributions	3,776	3,776	4,936	4,936	Current expenditure on goods and services	8,052	7,868	9,496	9,441
National health contributions	231	235	234	234	Subsidies	1,056	1,741	1,393	1,942
Redundancy fund contributions	51	52	51	51	Debt interest	1,719	1,939	2,116	2,116
Taxes on expenditure	7,457	7,456	8,342	9,012	Current grants to—				
Gross trading surplus ⁽²⁾	13	14	22	22	Local authorities	4,362	4,273	5,087	5,087
Rent ⁽³⁾	109	107	106	106	Personal sector	6,166	6,212	7,648	7,648
Interest and dividends from—					Abroad	305	349	395	395
Local authorities	572	592	746	746	Total current expenditure	21,660	22,382	26,135	26,629
Public corporations	923	950	1,005	1,005	Current surplus ⁽⁴⁾	1,188	585	1,898	2,791
Other	218	278	275	275					
TOTAL	22,848	22,967	28,033	29,420	TOTAL	22,848	22,967	28,033	29,420
CAPITAL RECEIPTS									
Current surplus ⁽²⁾	1,188	585	1,898	2,791	CAPITAL EXPENDITURE				
Taxes on capital	747	813	793	793	Gross domestic fixed capital formation	881	794	977	958
Receipts from certain pension "funds" (net)	109	142	148	148	Increase in value of stocks	44	43	91	91
Adjustments for accruals of taxes on expenditure	-936	-485	-313	-323	Capital grants to—				
Adjustments for accruals of subsidies	—	268	-311	-311	Local authorities	326	289	338	338
Miscellaneous capital transactions (net)	171	450	58	58	Public corporations	72	103	136	136
					Private sector	834	690	736	736
Borrowing requirement (net balance)—					Capital transfers abroad ⁽⁵⁾	15	22	63	63
Redemption of nationalised industries' stock	349	349	—	—	Net lending to—				
Other	3,647	2,074	2,427	1,525	Local authorities	999	992	917	917
Total borrowing requirement	3,996	2,423	2,427	1,525	Public corporations	1,443	586	876	876
					Private sector	180	179	117	117
TOTAL	5,275	4,196	4,700	4,681	Net lending to overseas governments	59	70	78	78
					Drawings from United Kingdom subscriptions to international lending bodies	40	42	36	36
					Other net lending and transactions abroad ⁽⁴⁾	384	378	323	323
					Cash expenditure on company securities (net)	-2	8	12	12
					TOTAL	5,275	4,196	4,700	4,681

(1) Differences from the figures given in Table 13 of the Financial Statement and Budget Report 1973-74 (H.C. 173) reflect changes of classification.

(2) Before allowing for depreciation and stock appreciation.

(3) Includes estimated payments under sterling guarantee arrangements: £22 million in 1973-74 and £80 million in 1974-75.

(4) Includes refinancable export credits.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

Analysis and reconciliation by fund—1973-74 provisional outturn

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts ⁽¹⁾	Total central government
	Taxation and other receipts	Supply services	Standing services and deficit	Receipts	Payments		
A. RECEIPTS							
(i) Items entering into public sector receipts (see Table 6)							
Taxes on income	9,530	-23	—	—	—	—	9,507
National insurance contributions, etc.	—	235	—	—	—	3,828	4,063
Taxes on expenditure: Selective employment tax	40	-147	—	—	—	131	24 ⁽²⁾
Other	6,947	17	—	—	—	468	7,432
Other current receipts	79	73	—	8	—	239	399
Taxes on capital and other capital transactions (net)	862	136	—	—	—	190	1,188
Borrowing requirement (net balance) ⁽³⁾	—	32	—	3,104	—	-713	2,423
TOTAL	17,458	323	—	3,112	—	4,143	25,036
(ii) Interest and dividends received from local authorities and public corporations	32	—	—	1,439	—	71	1,542
TOTAL RECEIPTS	17,490	323	—	4,551	—	4,214	26,578⁽⁴⁾
B. EXPENDITURE							
(i) Items entering into public sector expenditure (see Table 6)							
Current expenditure on goods and services	15	-7,423	-12	—	-9	-439	-7,868
Debt interest	—	-32	—	—	-1,746	-161	-1,939
Current grants to personal sector	—	-1,972	-15	—	—	-4,225	-6,212
Other current expenditure	17	-1,557	-200	—	—	-350	-2,090
Gross domestic fixed capital formation	10	-762	—	—	—	-42	-794
Other capital expenditure	113	-1,446	-21	—	6	-84	-1,432
TOTAL	155	-13,192	-248	—	-1,749	-5,301	-20,335
(ii) Grants and net lending to local authorities and public corporations	—	-4,548	—	—	-1,372	-323	-6,243
TOTAL EXPENDITURE	155	-17,740	-248	—	-3,121	-5,624	-26,578⁽⁴⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	-623	—	—	—	623	—
Northern Ireland central government: transfers and loans	—	-178	-350	—	-64	592	—
Purchase of United States military aircraft	—	-37	—	—	37	—	—
Other loans and advances	—	-4	-1	—	8	-3	—
Debt interest (including profits of Issue Department)	17	-10	-670	893	-585	355	—
B.B.C. licence revenue	153	-153	—	—	—	—	—
Surplus receipts for surrender, etc.	235	-78	—	—	—	-157	—
Deficit on Consolidated Fund	—	—	1,719	-1,719	—	—	—
TOTAL INTERNAL TRANSACTIONS	405	-1,083	698	-826	-604	1,410	—
Grand Total (A, B and C)	18,050⁽⁵⁾	-18,500⁽⁵⁾	450⁽⁵⁾	3,725⁽⁵⁾	-3,725⁽⁵⁾	—	—

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

(2) This figure includes, in accordance with the national income accounts treatment, the net yield from the private sector and public corporations together with payments of tax by the central government and local authorities.

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

(4) As included within Table 13.

(5) As included in Table 8.

(6) As included in Table 11.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

Analysis and reconciliation by fund—1974-75 estimate after Budget changes

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts ⁽¹⁾	Total central government
	Taxation and other receipts	Supply services	Standing services and deficit	Receipts	Payments		
A. RECEIPTS							
(i) Items entering into public sector receipts (see Table 6)							
Taxes on income	13,057	-24	—	—	—	—	13,033
National insurance contributions, etc.	—	226	—	—	—	4,995	5,221
Taxes on expenditure	8,537	15	—	—	—	460	9,012
Other current receipts	125	80	—	6	—	307	518
Taxes on capital and other capital transactions (net)	853	141	—	—	—	-629	365
Borrowing requirement (net balance) ⁽²⁾	—	20	—	607	—	898	1,525
TOTAL	22,572	458	—	613	—	6,031	29,674
(ii) Interest and dividends received from local authorities and public corporations	—	—	—	1,636	—	—	1,636
TOTAL RECEIPTS	22,572	458	—	2,249	—	6,031	31,310
B. EXPENDITURE							
(i) Items entering into public sector expenditure (see Table 6)							
Current expenditure on goods and services	15	-8,282	-12	—	-10	-1,152	-9,441
Debt interest	—	-36	—	—	-1,907	-173	-2,116
Current grants to personal sector	—	-2,297	—	—	—	-5,351	-7,648
Other current expenditure	24	-2,389	-244	—	—	272	-2,337
Gross domestic fixed capital formation	15	-883	—	—	—	-90	-958
Other capital expenditure	98	-1,287	-33	—	14	-248	-1,456
TOTAL	152	-15,174	-289	—	-1,903	-6,742	-23,956
(ii) Grants and net lending to local authorities and public corporations	—	-4,905	—	—	-1,545	-904	-7,354
TOTAL EXPENDITURE	152	-20,079	-289	—	-3,448	-7,646	-31,310⁽³⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	-855	—	—	—	855	—
Northern Ireland central government: transfers and loans	—	-210	-397	—	-79	686	—
Purchase of United States military aircraft	—	-38	—	—	38	—	—
Other loans and advances	—	-4	-1	—	8	-3	—
Debt interest (including profits of Issue Department)	19	-8	-410	918	-643	124	—
B.B.C. licence revenue	161	-161	—	—	—	—	—
Surplus receipts for surrender, etc.	284	-214	—	—	—	-70	—
Deficit on Consolidated Fund	—	—	-985	985	—	—	—
TOTAL INTERNAL TRANSACTIONS	464	-1,486	-1,792	1,903	-704	1,615	—
Grand Total (A, B and C)	23,188⁽⁴⁾	-21,107⁽⁴⁾	-2,081⁽⁴⁾	4,152⁽⁵⁾	-4,152⁽⁵⁾	—	—

(1) Includes National Insurance Funds 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 (or plus) any surplus (or deficit) on the National Insurance Funds and changes in departmental balances invested in government debt, etc.

(3) As included within Table 13.

(4) As included in Table 8.

(5) As included in Table 11.

ANNEX

TABLE 15. PROPOSED CHANGES IN TAXATION

INLAND REVENUE

Income tax

It is proposed to increase the single person's allowance and the maximum wife's earned income relief from £595 to £625 and the married allowance from £775 to £865.

It is proposed to increase the child allowances by £40 from their present levels of £200 for each child not over 11, £235 for each child over 11 but not over 16 and £265 for each child over 16 to £240, £275 and £305, respectively.

It is proposed to introduce a new band of taxable income from £4,500 to £5,000 for which a rate of tax 5p higher than the basic rate will apply. It is proposed to raise the basic rate and all the higher rates by 3p except the top rate, which it is proposed to raise by 8p. As a consequence of these changes the structure of personal tax rates in operation in 1974-75 will be:

Bands of taxable income			
£	Per cent	£	Per cent
0-4,500	33	8,000-10,000	58
4,500-5,000	38	10,000-12,000	63
5,000-6,000	43	12,000-15,000	68
6,000-7,000	48	15,000-20,000	73
7,000-8,000	53	Over 20,000	83

It is proposed to reduce the threshold for the investment income surcharge from £2,000 to £1,000, but the band of investment income from £1,000 to £2,000 will be liable to surcharge at the reduced rate of 10 per cent. For persons over 65 however the threshold will be £1,500, with a reduced rate band of £500.

It is proposed to raise the limits for age exemption for persons aged 65 and over for 1974-75 from £700 for single persons and £1,000 for married couples to £785 and £1,130, respectively.

It is proposed to change the basis on which certain income arising overseas to individuals resident in this country is assessed to United Kingdom tax.

It is proposed that interest which is not business interest will qualify for relief only on loans incurred to acquire or improve a principal place of residence or for certain other purposes.

Surtax

It is proposed to impose a 10 per cent surcharge on surtax for 1972-73 as announced on 17 December, 1973 but without exemption of the elderly.

Corporation tax

It is proposed that the rate of corporation tax under the imputation system for 1973-74 shall be 52 per cent and the rate for small companies shall be 42 per cent.

It is proposed that advance corporation tax for 1974-75 shall be payable at the rate of 33/67ths of the amount of the distributions.

It is proposed that with the advance corporation tax on distributions companies should pay a further sum equal to one-half of that tax.

Corporation tax and capital gains tax

It is proposed to charge as income certain capital gains from the disposal of land as announced on 17 December, 1973.

It is proposed that the first letting following material development of a building for other than residential purposes should constitute an occasion of charge for the purpose of taxation of capital gains, as announced on 17 December, 1973.

Stamp duties

It is proposed in general to double the 1 per cent duty on conveyances and transfers and the duty on leases, bearer instruments and duplicate or counterpart instruments. In the case of conveyances of property other than stock and marketable securities it is proposed that there shall be no duty where the consideration does not exceed £15,000, duty at ½ per cent where the consideration exceeds that figure but does not exceed £20,000, 1 per cent where the consideration exceeds £20,000 but does not exceed £25,000 and 1½ per cent where the consideration exceeds £25,000 but does not exceed £30,000.

These proposals will take effect from 1 May, 1974 in Great Britain and 1 August, 1974 in Northern Ireland.

TABLE 15. PROPOSED CHANGES IN TAXATION—continued

CUSTOMS AND EXCISE

Value added tax

It is proposed to apply, by Order, from 1 April, 1974, value added tax at 10 per cent to supplies of:

- ice cream, ice lollies, frozen yoghurt, water ices and similar frozen products, and prepared mixes and powders for making such products;
- chocolates, sweets and similar confectionery (including drained, glacé or crystallised fruits); and chocolate biscuits and other confectionery having a case or coating of chocolate couverture, other than cakes in such a case or coating; but not including chocolate couverture not put up for retail sale, drained cherries or candied peels;
- manufactured beverages, including fruit juices and bottled waters, and syrups, concentrates, essences, powders, crystals or other products for the preparation of beverages, but not including tea, maté, herbal teas and similar products, cocoa, coffee, chicory and other roasted coffee substitutes, preparations and extracts thereof and preparations and extracts of meat, yeast, egg or milk;
- any of the following when packaged for human consumption without further preparation, namely, potato crisps, potato sticks, potato puffs and similar products made from the potato, or from potato flour, or from potato starch, and savoury food products obtained by the swelling of cereals or cereal products; and salted or roasted nuts other than nuts in shell.

It is proposed to apply, by Order, from 1 April, 1974, value added tax at 10 per cent to supplies of the following:

- hydrocarbon oil on which duty has been, or is to be, charged without relief from, or rebate of, such duty;
- petrol substitutes and power methylated spirits;
- gas for use as road fuel on which a duty of excise has been or is to be charged.

It is proposed to amend the Finance Act 1972 to provide that its provisions, and in particular Section 7 (8), shall have effect, and shall be deemed always to have had effect, in respect of certain supplies which took place or began before the passing of the Finance Act 1972. This confirms the liability to tax of certain continuing supplies which spanned the introduction of the tax.

Tobacco, spirits, wine and British wine

It is proposed to increase from 27 March, 1974 the rates of customs and excise duty on these commodities, as follows:

- the rates of duty on tobacco and tobacco products are increased by £1.40 per lb;
- the rates of duty on spirits (other than perfumed spirits) are increased by £1.56 per proof gallon;
- the rates of duty on wine and British wine are increased by £0.545 per gallon, with an increase in the additional charge for each degree or fraction of a degree in excess of 42 degrees of £0.045;
- the rates of duty on beer are increased by £2.46 per 36 gallons and the charge for each additional degree of original gravity above 1030° is increased by £0.022 per 36 gallons.

Betting

It is proposed that with effect from 31 March, 1974 the rate of general betting duty shall be increased to 7½ per cent of the amount staked, except in respect of on course bets, for which it will remain at 4 per cent.

It is proposed that with effect from 1 April, 1974 the rate of pool betting duty shall be increased to 40 per cent of the amount staked.

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.

* It must have been 33/67ths. Companies' liability to pay advance CT (at basic rate of income tax) from distributed profits, and pay this to the IR. This is offset against total CT liability usually due in the T-F poll at the end of the financial year in which profits were earned, and is called advance CT. Now they have to pay 50% more ACT when they distribute profits.

TABLE 16. ESTIMATED EFFECTS OF CHANGES IN TAXATION

£ million

	Estimate for 1974-75	Estimate for a full year
INLAND REVENUE		
<i>Income Tax—</i>		
Increase in married allowance by £90 and in single allowance by £30	-398	-489
Increase in child allowances by £40	-115	-165
Introduction of new higher rate band of £4,500 to £5,000 at 5p above basic rate ...	+3	+12
Increase of basic and higher rates by 3p and of top rate by 8p	+775	+942
Lowering of threshold of investment income surcharge to £1,000, with 10 per cent rate of surcharge between £1,000 and £2,000, with some relief for the elderly	Negligible	+40
Increase in income limits for age exemption of £85 for single persons and £130 for married persons	-18	-30
Change of basis for taxing overseas income of United Kingdom residents	Negligible	+20
Withdrawal of relief for certain interest payments	+20	+100
<i>Surtax—</i>		
10 per cent surcharge on surtax for 1972-73	+30	(a)
<i>Corporation tax—</i>		
Rate of tax for 1973-74 of 52 per cent	+65 (b)	+130 (b)
Increase in rate of ACT to 33/67ths of the amount of the dividend	+40	(c)
Additional payments with ACT	+315	(c)
<i>Corporation tax and capital gains tax—</i>		
Charge of certain capital gains as income, and first letting as occasion of charge for taxation of capital gains	Negligible	+80
<i>Stamp duties—</i>		
Doubling of main rates of duty, with reduced rates for conveyances with consideration of £30,000 or less	+75	+67 (d)
TOTAL INLAND REVENUE	+792	+707
CUSTOMS AND EXCISE		
<i>Value added tax—</i>		
Alterations in coverage	+195	+275
Alterations in revenue duty rates	+10	+15
<i>Revenue duties—</i>		
Alterations in rates of tobacco duty	+200	+200
Alterations in rates of spirits duties	+20	+20
Alterations in rates of beer duty	+90	+100
Alterations in rates of wine and British wine duties	+40	+40
<i>Betting—</i>		
Alterations in rate of general betting duty	+20	+20
Alterations in rate of pool betting duty	+10	+10
TOTAL CUSTOMS AND EXCISE	+585	+680
Total	+1,377	+1,387

(a) + £10 million in 1975-76.

(b) Additional yield compared with an assumed rate of 50 per cent.

(c) Set off against subsequent liabilities to corporation tax.

(d) Stamp duties +£85 million, capital gains tax -£12 million, corporation tax -£6 million.

TABLE 17. TAX ON SPECIMEN INCOMES

The tables which follow show the tax payable for 1973-74 and 1974-75 and the corresponding effective rate of tax, i.e., the average rate per cent over the whole income.

The personal allowances and reliefs appropriate to the circumstances shown are taken into account but a taxpayer may be entitled to further reliefs which would reduce the tax payable.

The earned income of a married couple is assumed to be the husband's; where any of the income is earned by the wife, the tax payable will be less than the amount shown.

The income includes family allowances where there is more than one child in the family, even though at some income levels it would be to the taxpayer's advantage not to claim it; "clawback" has also been taken into account at all levels of income.

SINGLE PERSONS—INCOME ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
600	1.50	0.3	—	—
700	31.50	4.5	24.75	3.5
800	61.50	7.7	57.75	7.2
900	91.50	10.2	90.75	10.1
1,000	121.50	12.2	123.75	12.4
1,100	151.50	13.8	156.75	14.3
1,200	181.50	15.1	189.75	15.8
1,300	211.50	16.3	222.75	17.1
1,400	241.50	17.3	255.75	18.3
1,500	271.50	18.1	288.75	19.3
1,600	301.50	18.8	321.75	20.1
1,700	331.50	19.5	354.75	20.9
1,800	361.50	20.1	387.75	21.5
1,900	391.50	20.6	420.75	22.1
2,000	421.50	21.1	453.75	22.7
2,500	571.50	22.9	618.75	24.8
3,000	721.50	24.1	783.75	26.1
4,000	1,021.50	25.5	1,113.75	27.8
5,000	1,321.50	26.4	1,443.75	28.9
6,000	1,662.00	27.7	1,836.25	30.6
8,000	2,552.50	31.9	2,783.75	34.8
10,000	3,622.75	36.2	3,912.50	39.1
15,000	6,713.25	44.8	7,150.00	47.7
20,000	10,183.50	50.9	10,768.75	53.8
30,000	17,653.75	58.8	19,006.25	63.4
50,000	32,653.75	65.3	35,606.25	71.2
100,000	70,153.75	70.2	77,106.25	77.1

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES—INCOME ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
800	7.50	0.9	11.55	1.3
900	37.50	4.2		
1,000	67.50	6.8	44.55	4.5
1,100	97.50	8.9	77.55	7.1
1,200	127.50	10.6	110.55	9.2
1,300	157.50	12.1	143.55	11.0
1,400	187.50	13.4	176.55	12.6
1,500	217.50	14.5	209.55	14.0
1,600	247.50	15.5	242.55	15.2
1,700	277.50	16.3	275.55	16.2
1,800	307.50	17.1	308.55	17.1
1,900	337.50	17.8	341.55	18.0
2,000	367.50	18.4	374.55	18.7
2,500	517.50	20.7	539.55	21.6
3,000	667.50	22.3	704.55	23.5
4,000	967.50	24.2	1,034.55	25.9
5,000	1,267.50	25.4	1,364.55	27.3
6,000	1,590.00	26.5	1,733.05	28.9
8,000	2,462.50	30.8	2,656.55	33.2
10,000	3,523.75	35.2	3,773.30	37.7
15,000	6,596.25	44.0	6,986.80	46.6
20,000	10,057.50	50.3	10,593.55	53.0
30,000	17,518.75	58.4	18,807.05	62.7
50,000	32,518.75	65.0	35,407.05	70.8
100,000	70,018.75	70.0	76,907.05	76.9

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES, WITH TWO CHILDREN NOT OVER 11—INCOME ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
1,200	25.50	2.1	—	—
1,300	55.50	4.3	2.31	0.2
1,400	85.50	6.1	35.31	2.5
1,500	115.50	7.7	68.31	4.6
1,600	145.50	9.1	101.31	6.3
1,700	175.50	10.3	134.31	7.9
1,800	205.50	11.4	167.31	9.3
1,900	235.50	12.4	200.31	10.5
2,000	265.50	13.3	233.31	11.7
2,500	415.50	16.6	398.31	15.9
3,000	565.50	18.9	563.31	18.8
4,000	865.50	21.6	893.31	22.3
5,000	1,165.50	23.3	1,223.31	24.5
6,000	1,465.50	24.4	1,563.66	26.1
8,000	2,298.25	28.7	2,444.36	30.6
10,000	3,336.75	33.4	3,525.06	35.3
15,000	6,375.25	42.5	6,695.76	44.6
20,000	9,819.50	49.1	10,281.11	51.4
30,000	17,263.75	57.5	18,451.81	61.5
50,000	32,263.75	64.5	35,051.81	70.1
100,000	69,763.75	69.8	76,551.81	76.6

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES WITH TWO CHILDREN OVER 11 BUT NOT OVER 16—
INCOME ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
1,200	4.50	0.4	—	—
1,300	34.50	2.7	—	—
1,400	64.50	4.6	12.21	0.9
1,500	94.50	6.3	45.21	3.0
1,600	124.50	7.8	78.21	4.9
1,700	154.50	9.1	111.21	6.5
1,800	184.50	10.3	144.21	8.0
1,900	214.50	11.3	177.21	9.3
2,000	244.50	12.2	210.21	10.5
2,500	394.50	15.8	375.21	15.0
3,000	544.50	18.2	540.21	18.0
4,000	844.50	21.1	870.21	21.8
5,000	1,144.50	22.9	1,200.21	24.0
6,000	1,444.50	24.1	1,537.06	25.6
8,000	2,266.75	28.3	2,410.76	30.1
10,000	3,298.25	33.0	3,484.46	34.8
15,000	6,329.75	42.2	6,648.16	44.3
20,000	9,770.50	48.9	10,230.01	51.2
30,000	17,211.25	57.4	18,393.71	61.3
50,000	32,211.25	64.4	34,993.71	70.0
100,000	69,711.25	69.7	76,493.71	76.5

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES WITH TWO CHILDREN OVER 16—INCOME ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
1,300	16.50	1.3	—	—
1,400	46.50	3.3	—	—
1,500	76.50	5.1	25.41	1.7
1,600	106.50	6.6	58.41	3.7
1,700	136.50	8.0	91.41	5.4
1,800	166.50	9.3	124.41	6.9
1,900	196.50	10.3	157.41	8.3
2,000	226.50	11.3	190.41	9.5
2,500	376.50	15.1	355.41	14.2
3,000	526.50	17.6	520.41	17.3
4,000	826.50	20.7	850.41	21.3
5,000	1,126.50	22.5	1,180.41	23.6
6,000	1,426.50	23.8	1,514.26	25.2
8,000	2,239.75	28.0	2,381.96	29.8
10,000	3,265.25	32.7	3,449.66	34.5
15,000	6,290.75	41.9	6,607.36	44.0
20,000	9,728.50	48.6	10,186.21	50.9
30,000	17,166.25	57.2	18,343.91	61.1
50,000	32,166.25	64.3	34,943.91	69.9
100,000	69,666.25	69.7	76,443.91	76.4

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES—INCOME 90 PER CENT EARNED,
10 PER CENT FROM INVESTMENTS

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
	£	Per cent	£	Per cent
£				
800	7.50	0.9	—	—
900	37.50	4.2	11.55	1.3
1,000	67.50	6.8	44.55	4.5
1,100	97.50	8.9	77.55	7.1
1,200	127.50	10.6	110.55	9.2
1,300	157.50	12.1	143.55	11.0
1,400	187.50	13.4	176.55	12.6
1,500	217.50	14.5	209.55	14.0
1,600	247.50	15.5	242.55	15.2
1,700	277.50	16.3	275.55	16.2
1,800	307.50	17.1	308.55	17.1
1,900	337.50	17.8	341.55	18.0
2,000	367.50	18.4	374.55	18.7
2,500	517.50	20.7	539.55	21.6
3,000	667.50	22.3	704.55	23.5
4,000	967.50	24.2	1,034.55	25.9
5,000	1,267.50	25.4	1,364.55	27.3
6,000	1,590.00	26.5	1,733.05	28.9
8,000	2,462.50	30.8	2,656.55	33.2
10,000	3,523.75	35.2	3,773.30	37.7
15,000	6,596.75	44.0	7,036.80	46.9
20,000	10,057.50	50.3	10,693.55	53.5
30,000	17,668.75	58.9	19,057.05	63.5
50,000	32,968.75	65.9	35,957.05	71.9
100,000	71,218.75	71.2	78,207.05	78.2

TABLE 17. TAX ON SPECIMEN INCOMES—continued

SINGLE PERSONS—INCOME ALL FROM INVESTMENTS

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
	£	Per cent	£	Per cent
£				
600	1.50	0.3	—	—
700	31.50	4.5	24.75	3.5
800	61.50	7.7	57.75	7.2
900	91.50	10.2	90.75	10.1
1,000	121.50	12.2	123.75	12.4
1,100	151.50	13.8	166.75	15.2
1,200	181.50	15.1	209.75	17.5
1,300	211.50	16.3	252.75	19.4
1,400	241.50	17.3	295.75	21.1
1,500	271.50	18.1	338.75	22.6
1,600	301.50	18.8	381.75	23.9
1,700	331.50	19.5	424.75	25.0
1,800	361.50	20.1	467.75	26.0
1,900	391.50	20.6	510.75	26.9
2,000	421.50	21.1	553.75	27.7
2,500	646.50	25.9	793.75	31.8
3,000	871.50	29.1	1,033.75	34.5
4,000	1,321.50	33.0	1,513.75	37.8
5,000	1,771.50	35.4	1,993.75	39.9
6,000	2,262.00	37.7	2,536.25	42.3
8,000	3,452.50	43.2	3,783.75	47.3
10,000	4,822.75	48.2	5,212.50	52.1
15,000	8,663.25	57.8	9,200.00	61.3
20,000	12,883.50	64.4	13,568.75	67.8
30,000	21,853.75	72.8	23,306.25	77.7
50,000	39,853.75	79.7	42,906.25	85.8
100,000	84,853.75	84.9	91,906.25	91.9

TABLE 17. TAX ON SPECIMEN INCOMES—continued

MARRIED COUPLES—INCOME ALL FROM INVESTMENTS

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
	£	Per cent	£	Per cent
£				
800	7.50	0.9	—	—
900	37.50	4.2	11.55	1.3
1,000	67.50	6.8	44.55	4.5
1,100	97.50	8.9	87.55	8.0
1,200	127.50	10.6	130.55	10.9
1,300	157.50	12.1	173.55	13.4
1,400	187.50	13.4	216.55	15.5
1,500	217.50	14.5	259.55	17.3
1,600	247.50	15.5	302.55	18.9
1,700	277.50	16.3	345.55	20.3
1,800	307.50	17.1	388.55	21.6
1,900	337.50	17.8	431.55	22.7
2,000	367.50	18.4	474.55	23.7
2,500	592.50	23.7	714.55	28.6
3,000	817.50	27.3	954.55	31.8
4,000	1,267.50	31.7	1,434.55	35.9
5,000	1,717.50	34.4	1,914.55	38.3
6,000	2,190.00	36.5	2,433.05	40.6
8,000	3,362.50	42.0	3,656.55	45.7
10,000	4,723.75	47.2	5,073.30	50.7
15,000	8,546.25	57.0	9,036.80	60.2
20,000	12,757.50	63.8	13,393.55	67.0
30,000	21,718.75	72.4	23,107.05	77.0
50,000	39,718.75	79.4	42,707.05	85.4
100,000	84,718.75	84.7	91,707.05	91.7

TABLE 17. TAX ON SPECIMEN INCOMES—continued

INCOME UP TO £45 A WEEK—ALL EARNED

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
	£	Per cent	£	Per cent
Single persons				
624 (£12 a week)	8.70	1.4	—	—
728 (£14 a week)	39.90	5.5	33.99	4.7
832 (£16 a week)	71.10	8.5	68.31	8.2
936 (£18 a week)	102.30	10.9	102.63	11.0
1,040 (£20 a week)	133.50	12.8	136.95	13.2
1,144 (£22 a week)	164.70	14.4	171.27	15.0
1,248 (£24 a week)	195.90	15.7	205.59	16.5
1,352 (£26 a week)	227.10	16.8	239.91	17.7
1,456 (£28 a week)	258.30	17.7	274.23	18.8
1,560 (£30 a week)	289.50	18.6	308.55	19.8
1,820 (£35 a week)	367.50	20.2	394.35	21.7
2,080 (£40 a week)	445.50	21.4	480.15	23.1
2,340 (£45 a week)	523.50	22.4	565.95	24.2
Married couples				
832 (£16 a week)	17.10	2.1	—	—
936 (£18 a week)	48.30	5.2	23.43	2.5
1,040 (£20 a week)	79.50	7.6	57.75	5.6
1,144 (£22 a week)	110.70	9.7	92.07	8.0
1,248 (£24 a week)	141.90	11.4	126.39	10.1
1,352 (£26 a week)	173.10	12.8	160.71	11.9
1,456 (£28 a week)	204.30	14.0	195.03	13.4
1,560 (£30 a week)	235.50	15.1	229.35	14.7
1,820 (£35 a week)	313.50	17.2	315.15	17.3
2,080 (£40 a week)	391.50	18.8	400.95	19.3
2,340 (£45 a week)	469.50	20.1	486.75	20.8
Married couples, with one child not over 11				
1,040 (£20 a week)	19.50	1.9	—	—
1,144 (£22 a week)	50.70	4.4	12.87	1.1
1,248 (£24 a week)	81.90	6.6	47.19	3.8
1,352 (£26 a week)	113.10	8.4	81.51	6.0
1,456 (£28 a week)	144.30	9.9	115.83	8.0
1,560 (£30 a week)	175.50	11.2	150.15	9.6
1,820 (£35 a week)	253.50	13.9	235.95	13.0
2,080 (£40 a week)	331.50	15.9	321.75	15.5
2,340 (£45 a week)	409.50	17.5	407.55	17.4

TABLE 17. TAX ON SPECIMEN INCOMES—*continued*INCOME UP TO £45 A WEEK—ALL EARNED—*continued*

Income	Charge for 1973-74		Proposed charge for 1974-75	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
Married couples, with one child over 11 but not over 16				
1,040 (£20 a week) ...	9.00	0.9	—	—
1,144 (£22 a week) ...	40.20	3.5	1.32	0.1
1,248 (£24 a week) ...	71.40	5.7	35.64	2.9
1,352 (£26 a week) ...	102.60	7.6	69.96	5.2
1,456 (£28 a week) ...	133.80	9.2	104.28	7.2
1,560 (£30 a week) ...	165.00	10.6	138.60	8.9
1,820 (£35 a week) ...	243.00	13.4	224.40	12.3
2,080 (£40 a week) ...	321.00	15.4	310.20	14.9
2,340 (£45 a week) ...	399.00	17.1	396.00	16.9
Married couples, with two children not over 11				
1,144 (£22 a week) ...	8.70	0.8	—	—
1,248 (£24 a week) ...	39.90	3.2	—	—
1,352 (£26 a week) ...	71.10	5.3	19.47	1.4
1,456 (£28 a week) ...	102.30	7.0	53.79	3.7
1,560 (£30 a week) ...	133.50	8.6	88.11	5.6
1,820 (£35 a week) ...	211.50	11.6	173.91	9.6
2,080 (£40 a week) ...	289.50	13.9	259.71	12.5
2,340 (£45 a week) ...	367.50	15.7	345.51	14.8
Married couples, with two children over 11, but not over 16				
1,248 (£24 a week) ...	18.90	1.5	—	—
1,352 (£26 a week) ...	50.10	3.7	—	—
1,456 (£28 a week) ...	81.30	5.6	30.69	2.1
1,560 (£30 a week) ...	112.50	7.2	65.01	4.2
1,820 (£35 a week) ...	190.50	10.5	150.81	8.3
2,080 (£40 a week) ...	268.50	12.9	236.61	11.4
2,340 (£45 a week) ...	346.50	14.8	322.41	13.8