

TABLE 19. ESTATE DUTY

Amount of duty payable and effective rate of duty on specimen estates

The table shows the amount of estate duty payable and the effective rates of duty payable on estates of various sizes with the existing rates of duty and with the proposed rates. For the proposed rates examples are given where there is no surviving spouse and where the surviving spouse is the sole legatee. It is assumed that no reduced rate or other reliefs or allowances are due.

Net capital value of total estate	Estate duty payable with existing rates		Estate duty payable with proposed rates			
			No surviving spouse		Whole estate left to surviving spouse*	
	Amount of duty	Effective rate	Amount of duty	Effective rate	Amount of duty	Effective rate
£	£	Per cent	£	Per cent	£	Per cent
12,500 ...	—	—	—	—	—	—
15,000 ...	625	4·2	—	—	—	—
17,500 ...	1,250	7·1	625	3·6	—	—
20,000 ...	2,000	10·0	1,250	6·2	—	—
25,000 ...	3,500	14·0	2,750	11·0	—	—
30,000 ...	5,000	16·7	4,250	14·2	—	—
35,000 ...	7,250	20·7	6,000	17·1	1,250	3·6
40,000 ...	9,500	23·7	7,750	19·4	2,750	6·9
45,000 ...	12,500	27·8	9,750	21·7	4,250	9·4
50,000 ...	15,500	31·0	11,750	23·5	6,000	12·0
60,000 ...	21,500	35·8	16,250	27·1	9,750	16·3
70,000 ...	27,500	39·3	21,250	30·4	14,000	20·0
80,000 ...	33,500	41·9	26,250	32·8	18,750	23·4
90,000 ...	40,000	44·4	31,750	35·3	23,750	26·4
100,000 ...	46,500	46·5	37,250	37·3	29,000	29·0
150,000 ...	79,000	52·7	67,250	44·8	58,250	38·8
200,000 ...	114,000	57·0	99,750	49·9	90,000	45·0
300,000 ...	184,000	61·3	169,750	56·6	159,250	53·1
500,000 ...	334,000	66·8	309,750	62·0	299,250	59·9
750,000 ...	534,000	71·2	497,250	66·3	486,000	64·8
1,000,000 ...	746,500	74·6	684,750	68·5	673,500	67·4

* The duty is the same wherever £15,000 or more is left to the surviving spouse; it is also the same wherever the amount not so left does not exceed £15,000.

Financial Statement and Budget Report 1973-74

RETURN to an Order of The House of Commons dated 6 March 1973: for

COPY of FINANCIAL STATEMENT AND BUDGET REPORT 1973-74 as laid before the House by the CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

Treasury Chambers,
6 March, 1973 } TERENCE HIGGINS

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PART 1

THE ECONOMIC BACKGROUND TO THE BUDGET

REVIEW OF THE PAST YEAR

1. The objective expressed in the Budget a year ago was a rise in the gross domestic product at an annual rate of about 5 per cent during the 18 months' period from the second half of 1971 to the first half of 1973 and a reduction in unemployment. It was expected that the surplus on the current account of the balance of payments would fall from the abnormally high rate reached in 1971 because the rise in the volume of imports associated with rising domestic activity was likely to be greater than the rise in the volume of exports. It was hoped that the main reflationary tax measures—the raising of the income tax threshold and reductions in higher rates of purchase tax—would help the climate for pay negotiations.

2. The paragraphs that follow describe the main developments during the past year. Tables 1-4 set out the main figures for personal incomes and spending, demand and output, and the balance of payments.

Home demand

3. The growth in consumer demand that had followed the measures of July 1971 continued strongly during 1972. There was some check early in the year during the strike of coal miners and the consequent power cuts. The Budget measures were equivalent to an addition of 3-3½ percentage points to real personal disposable incomes and money incomes rose faster than prices during the year. It is estimated that in the second half of last year real personal disposable income was about 8-8½ per cent higher than a year earlier. Between the second halves of 1971 and 1972 the volume of retail sales rose by 7 per cent and registrations of new cars (including those for business use) rose by over 15 per cent. The volume of consumers' expenditure as a whole rose nearly 7 per cent. This is over twice as fast as on average in the last decade. The development of personal incomes and consumer spending between the second halves of 1971 and 1972 are summarised in Table 1. Changes during 1972 in the other components of demand are included in Table 2(a) and in Table 4. Public expenditure may not have risen quite as strongly as intended especially construction work in investment projects. Investment by manufacturing industry seems to have fallen very little after the middle of the year and other private investment was rising during the year. Investment in private sector housing rose well

over 10 per cent. The reduction in stocks held by manufacturing industry apparently continued strongly up to the third quarter of last year but may have stopped in the fourth quarter. There was not much change over the year in stocks held by wholesalers and retailers. The fall in stocks has brought them to a very low level relative to output and, with demand expanding fast towards the end of the year, the level may have fallen lower than had been intended by firms.

Exports and imports

4. The growth of world trade, especially in the first half of last year, was slow. Import demand by some countries which take an important part of United Kingdom exports was low. This was a factor in the fall in the volume of United Kingdom exports in the first half of last year. They were delayed by the dock strike just after the middle of the year but there seems to have been a rise in the trend of the volume of exports during the second half of last year. The competitiveness of exports improved following the floating of sterling in June but it is unlikely that any important effect on the volume of shipments had developed before the end of 1972. The volume of imports rose over 10 per cent during last year. Imports of semi-manufactured industrial materials and of manufactured consumer goods rose very fast. It seems likely that relative prices were a factor, at any rate till the middle of the year, as well as some shortages of domestic production, causing the rise in imports in the year as a whole to be rather large compared with the apparent rate of increase of home output.

Output and unemployment

5. The three alternative measures of gross domestic product showed more than usually discrepant estimates of growth of GDP up to the third quarter of 1972. Only partial indicators are yet available for the fourth quarter. They suggest there was still a discrepancy, but of a much smaller scale. Taking the second half year as a whole the figures in Tables 1, 2 and 4 reflect the judgment that GDP may have risen about 3½ per cent since the second half of 1971. The rate of expansion of output was probably accelerating towards the end of the year. There are not yet many direct statistical indicators for the beginning of this year. Recent surveys of industrial trends have shown a

continuation of strong expansionary tendencies and the labour market has changed rapidly. In the year to the middle of February the number of job vacancies unfilled nearly doubled, with much of the increase occurring since September. The number of unemployed has fallen by 200,000 during the past year. On 12 February the rate for the United Kingdom as a whole was 3.0 per cent, seasonally adjusted, compared with 3.9 per cent a year earlier. For Great Britain alone the latest rate was 2.9 per cent. Nearly three-quarters of the fall in unemployment has taken place in the last six months or so. It seems strongly to suggest that activity is rising fast though there must always be some uncertainty about the scale of changes in the labour force in the short-run. The strengthening in the labour market may also reflect the expected growth in demand, as well as the rise that has already developed.

Incomes and prices

6. The downward tendency in the scale of pay and price increases that had developed during the second half of 1971 did not continue after the early months of 1972. In the second half of the year the index of hourly wage rates showed a rise of 15 per cent above a year earlier. Prices of imported goods began to rise more sharply last July, following the floating of sterling, and towards the end of the year they rose faster reflecting the rise in some world commodity prices, particularly wool, rubber and hides and skins as well as cereals and beef. The rates of increase of wholesale and retail prices, which had slowed down markedly during the first half of the year, accelerated in the third quarter. Following the tripartite discussions aimed at setting up voluntary arrangements on prices and pay, legislation was introduced. Since the announcement of the standstill on pay and prices on 6 November wholesale prices of manufactured products sold on the domestic market have risen little. Retail prices of meat, particularly beef, and of some food seasonally in short supply have continued to rise. But there has been little increase since the standstill in other retail prices.

7. The early indications are that the recovery in gross trading profits of companies which had begun in 1971 was broadly sustained in 1972. It seems likely that the share of company profits (net of stock appreciation) in domestic incomes remained approximately the same as in 1971.

Monetary developments

8. Money supply increased rapidly during 1972. There was a strong demand for credit in the private sector and, towards the end of the calendar year, the

development of the large public sector borrowing requirement. In the year to mid-January 1973 the narrow version of money (M1) rose by 13 per cent and the broad version (M3) by 25 per cent. The faster growth in M3, which unlike M1 includes interest-bearing deposit accounts and certificates of deposit, reflects in part important structural changes in the financial system following the introduction of the new credit control and banking arrangements in the autumn of 1971, which enabled the banks to compete more vigorously for deposits.

9. Bank lending in sterling to the private sector increased by over £5,000 million in the 12 months. Much of this increase went to companies and this, combined with the recovery in their profits and the run-down in stocks, was reflected in a strong improvement in corporate liquidity. For the greater part of the year the central government was able to repay debt to the banks—its borrowing requirement was in effect financed by purchases of government debt by the public and by the sterling accruing to the authorities as a result of the foreign exchange outflow which preceded the floating of sterling. But it was necessary to have recourse to the banks to finance the substantial deficit in the final months of the calendar year.

10. Interest rates, which had declined in 1971 and early 1972, rose substantially over the year as, with clear evidence that the economy was expanding and unemployment falling, the authorities took steps to restrain the growth of money and credit. Long-term yields increased appreciably but the rise in interest rates was most marked at the short end. The foreign currency outflow in June created an acute shortage of funds in the money markets and short-term rates rose steeply, clearing bank base rates increasing from 4½ per cent to 7 per cent between early June and the end of July. The outflow sharply reduced the banks' reserve base and to smooth its impact on interest rates the Bank of England made available to the banks a special sale and repurchase facility in short-dated gilt-edged stock for a period of two weeks. In August the Governor of the Bank of England wrote to the banks asking that in order to meet the growing demand for finance from industry they should as necessary make credit less readily available to property companies and for financial transactions not associated with the maintenance and expansion of industry. Provision for the issue of such qualitative guidance on lending was made in the new credit control arrangements introduced in 1971. In October a streamlining of procedures for controlling the money market was announced. Bank rate, whose role in determining the structure of interest rates had declined and changes in which were subject to undesirable rigidities, was

replaced by minimum lending rate, normally to be linked automatically through a formula to the Treasury bill rate.

11. In the closing weeks of 1972 the authorities took further steps to moderate the growth of money and credit, utilising the greater flexibility of the new minimum lending rate to exert upward pressure on money market rates and making two calls for special deposits from all banks and deposit-taking finance houses subject to the credit control arrangements. These calls, which amounted to 3 per cent of eligible liabilities, were intended to prevent the large borrowing requirement near the end of the year from swelling bank liquidity. The announcement of the second, 2 per cent, special deposit call brought about a further sharp rise in interest rates.

The balance of payments

12. Developments in 1972 in the current balance and the other main components of the total currency flow are summarised in Table 3. The change of about £1,000 million in the current balance—from exceptional surplus to a near balance—reflected a swing of nearly that magnitude in the balance on visible trade. There was little change in the surplus of invisible earnings. Capital flows were quite small on balance, except in the second quarter. In the third week of June speculative pressures against sterling built up rapidly and led to the decision, on 23 June, to allow the exchange rate for the pound sterling to float. The currency outflow in the year as a whole was £1,265 million, mainly in the second quarter. In the first quarter there was a receipt of Special Drawing Rights equivalent to £124 million, under the final allocation by the International Monetary Fund in the First Basic Period for SDRs. The remaining outstanding liabilities to the IMF were repurchased in the first half of the year. Funds swapped forward with overseas monetary authorities, which amounted to £864 million at the end of 1971, were used during the year to repay the IMF and to help to finance the currency outflow in June, which had initially been covered by borrowing from central banks of member countries of the European Economic Community, under the provisions of the EEC intervention arrangements to restrict fluctuations in cross rates between the currencies of participating countries. The remainder of the financing requirement was met from the reserves, within which was included, from July 1972, the Reserve Position in the IMF. Over the year as a whole the reserves fell by £692 million at transaction rates, and at the end of the year stood at £2,167 million, valued at the then official parity of \$2.60571. Sterling continued to float following the United States dollar devaluation of 12 February 1973.

13. Exports increased 4 per cent in value between 1971 and 1972 and imports by 16 per cent. Export prices and import prices rose by much the same amount (measured in sterling) till towards the end of the year when import prices rose by more, reflecting both the effects of the depreciation of sterling and the rise in some world commodity prices. Nearly all the difference between the increases in value reflected the slight fall in the volume of exports and the large rise in the volume of imports.

14. There were many changes within the invisible account. The net surplus on services was little changed. Higher net earnings from insurance, royalties and commissions, and construction work overseas, for example, were largely offset by increased net debits on shipping account, additional military costs overseas and a large rise in payments for travel overseas. The net surplus on interest, profits and dividends was reduced, with little rise in earnings on overseas investments and an increase in profits on foreign investment in this country, a reflection of the recovery in the domestic economy. Against these factors the higher average level of currency reserves in 1972 yielded some additional earnings.

15. Amongst investment and other capital transactions in 1972 there was less overseas investment in the United Kingdom public sector with no further overseas borrowing by public sector corporations. Overseas investment in the United Kingdom private sector was also below the high rate of 1971, especially in the early part of 1972. Much of the sharp increase in United Kingdom private investment overseas was portfolio investment in North American and EEC securities and was financed by increased foreign currency borrowing. There was a reduction in the net outflow on unrelated trade credit.

16. Other capital items (mainly short-term) reflected the large speculative outflow in the second quarter, and to some extent flows of funds associated with interest rate differentials and movements in the spot rate. Exchange reserves in sterling rose by £310 million in 1972, much less than in 1971. Short-term sterling funds held in the United Kingdom by private investors were reduced. There was a particularly sharp rise in sterling borrowing from United Kingdom banks by non-residents, and the balancing item was negative, probably including unidentified capital outflows such as leads and lags in commercial payments.

Forecasts in the Financial Statement and Budget Report 1972-73 and outturn

17. Table 2(a) compares some of the demand and output forecasts published in the Financial Statement and Budget Report 1972-73 with the present assessment

of developments up to the second half of 1972. The Budget judgment focussed on the period to the first half of 1973 and Table 2 (b) shows a comparison of the percentage changes at annual rate forecast a year ago for the 18-month period from the second half of 1971 to the first half of 1973 with the present forecasts for the same period.

18. The increase in the gross domestic product during 1972 is at present estimated to have been less than forecast. The scale of the shortfall was increased by the loss of exports consequent on the dock strike and delays to construction work. The volume of consumers' expenditure is estimated to have risen, if anything, more than expected but the tax content (reflected in the factor cost adjustment) was also higher so that the real resource content may have risen much as forecast. The volume of fixed invest-

ment, both public and private, fell short. The worsening of the external balance in resource terms was greater than expected, with a shortfall on exports and an excess on imports. Table 2 (b) indicates the extent to which the shortfall of home output last year may have been temporary: the annual rate of increase over the 18-month period is now forecast to be about $4\frac{1}{2}$ per cent.

19. The change in the visible trade balance in 1972 was greater than expected. The rise in the volume of world trade in manufactures seems to have been less than expected and United Kingdom exports were also hampered by strikes. These factors explain a good part of the difference in the visible balance. Net invisible earnings seem broadly to have conformed to the expectation of a year ago that they would "be maintained at around their recent high level".

TABLE 1. ESTIMATED CHANGES IN PERSONAL INCOME, CONSUMER PRICES AND CONSUMERS' EXPENDITURE DURING 1972
2nd half 1971 to 2nd half 1972

	£ million	Per cent
Wages and salaries ...	2,010	13.2
Total personal income ...	3,170	13.0
Personal disposable income ⁽¹⁾ ...	2,780	14.2
Consumers' expenditure price deflator ...		5.5
Real personal disposable income, at 1963 prices ...	1,110	8.3
Personal savings, at 1963 prices ⁽²⁾ ...	290	
Consumers' expenditure, at 1963 prices ...	820	6.7

(1) Total personal income less direct tax payments and National Insurance contributions, etc.

(2) Real personal disposable income less consumers' expenditure, both at 1963 prices.

TABLE 2 (a). 1972, FORECAST AND ESTIMATED OUTCOME
Changes: 2nd half 1971 to 2nd half 1972 (at constant 1963 prices)

	Forecast		Estimated outcome	
	£ million	Per cent	£ million	Per cent
Consumers' expenditure ...	720	6.0	820	6.7
Public expenditure on goods and services:	180	4.0	110	2.4
Public authorities' consumption ...	90	3.0	110	3.5
Public fixed investment ...	90	6.1		
Private fixed investment ...	150	7.4	60	2.9
Exports of goods and services ...	210	4.6	30	0.7
Stockbuilding ...	240		240	
Total final expenditure ...	1,500	6.5	1,260	5.4
Imports of goods and services ...	470	10.6	490	11.2
Adjustment to factor cost ...	120	5.0	200	8.5
Gross domestic product at factor cost ...	910	5.5	570	3.4

TABLE 2 (b). COMPARISON OF FORECASTS
Percentage changes (at annual rates): 2nd half 1971 to 1st half 1973 (at constant 1963 prices)

	Last year's forecast	Current forecast
Consumers' expenditure ...	5.1	5.8
Public expenditure on goods and services:	3.4	4.3
Public authorities' consumption ...	2.8	4.5
Public fixed investment ...	4.5	4.0
Private fixed investment ...	8.4	5.1
Exports of goods and services ...	4.3	3.9
Total final expenditure ...	5.8	5.9
Imports of goods and services ...	9.6	10.6
Adjustment to factor cost ...	4.4	7.5
Gross domestic product at factor cost ...	5.0	4.5

Notes:

1. The present view of the second half of 1971 incorporates new and revised information becoming available during the past year. The level of gross domestic product has been raised, with upward revisions to all main components of demand apart from stockbuilding and a downward revision to the estimate for imports of goods and services.

2. All figures in Tables 2 and 4 are, as is customary, based on "compromise" estimates of gross domestic product. These are close to the average of the three alternative measures of GDP, with 1963 as the base year, apart from minor timing adjustments to some series. The differences between the compromise and expenditure series have for convenience been allocated to investment in stocks. The estimates for the second half of 1972 include limited information about the fourth quarter. The available indicators show a further rise in the output measure of GDP and suggest a much larger rise in the expenditure measure, thus reducing the abnormal gap that had developed between them.

TABLE 3. BALANCE OF PAYMENTS

£ million

	1970	1971	1972	1971		1972	
				1st half	2nd half	1st half	2nd half
CURRENT ACCOUNT				Seasonally adjusted			
Exports	7,893	8,796	9,135	4,258	4,538	4,490	4,645
Imports	7,881	8,479	9,827	4,202	4,277	4,665	5,162
Visible balance	+12	+317	-692	+56	+261	-175	-517
Invisible balance	+676	+734	+710	+375	+359	+349	+361
Current balance—seasonally adjusted ...	+688	+1,051	+18	+431	+620	+174	-156
				Not seasonally adjusted			
A. CURRENT BALANCE—not seasonally adjusted ...	+688	+1,051	+18	+418	+633	+134	-116
B. INVESTMENT AND OTHER CAPITAL FLOWS							
Official long-term capital	-204	-273	-243	-89	-184	-81	-162
Overseas investment in United Kingdom public sector	-10	+179	+111	+149	+30	+82	+29
Overseas investment in United Kingdom private sector	+740	+932	+645	+551	+381	+262	+383
United Kingdom private investment overseas ...	-754	-744	-1,350	-437	-307	-643	-707
Trade credit (net)	-204	-261	-74	-175	-86	-40	-34
Foreign currency borrowing (net) by United Kingdom banks to finance United Kingdom investment overseas	+189	+275	+715	+165	+110	+350	+365
Other identified capital transactions	+790	+1,721	-517	+738	+983	-700	+183
C. BALANCING ITEM	+52	+348	-570	+287	+61	-352	-218
Total Currency Flow (A+B+C)	+1,287	+3,228	-1,265	+1,607	+1,621	-988	-277
Allocation of Special Drawing Rights (+) ...	+171	+125	+124	+125	—	+124	—
Gold subscription to IMF (—)	-38	—	—	—	—	—	—
Total of above	+1,420	+3,353	-1,141	+1,732	+1,621	-864	-277
Official financing:							
Net transactions with overseas monetary authorities	-1,295	-1,817	+449	-1,402	-415	+1,009	-560
Official reserves (drawings on, +/additions to, -)(¹)	-125	-1,536	+692	-330	-1,206	-145	+837

(¹) From 23 August, 1971, valued in sterling at the rates of exchange at which transactions occurred. From July 1972, transactions with the IMF affecting the United Kingdom Reserve Position in the Fund are included as changes in the official reserves.

THE ECONOMIC OUTLOOK TO THE FIRST HALF OF 1974

20. The forecasts set out in Table 4 show a rise in the gross domestic product in real terms at an annual rate of about 5 per cent between the second half of last year and the first half of 1974. It is expected that the level of unemployment will continue to fall. It is difficult to predict what the rate might be a year ahead given the possibility that some of the recent very fast fall may have anticipated the rise in activity and also the new uncertainty introduced by the raising of the school-leaving age.

21. The following paragraphs note the prospects for each of the main elements of demand over the period from the second half of 1972 to the first half of 1974.

22. Total public expenditure on goods and services rises at an annual rate of 4½–5 per cent but the rate of increase slows down during 1973–74. *Public authorities' current expenditure on goods and services*(¹) rises at an annual rate of about 4 per cent, not much different from the trend of the recent past. *Public sector investment*(¹) shows an annual rate of increase of 6–6½ per cent. There were delays in the second half of last year when selective strikes affected construction work and much of the rise foreseen in the rate of investment is assumed to develop in the present half year. Between the first halves of 1973 and 1974 the rate of increase is put at some 3 per cent. The forecast increases are widely spread among all the main sectors of public investment.

23. The total of *private sector fixed investment* is forecast to rise more rapidly than in the recent past.

(¹) The figures mentioned here and given in Tables 1 and 4 differ from the usual published series and from those shown in the corresponding categories in Table 5 for the following reasons:

- (a) All series are revalued at constant 1963 prices.
- (b) Some of the figures for the past have been smoothed.
- (c) The figures exclude purchases and sales of land and existing buildings.

The forecast movements between the financial years 1972–73 and 1973–74 are increases of about 5 per cent in public authorities' consumption and about 6½ per cent in public sector investment.

The latest official survey of investment intentions of firms in manufacturing industry, held towards the end of last year, suggested a rise of 2–5 per cent in the volume of investment by this sector between 1972 and 1973 and a larger rise in 1974. The more recent inquiry carried out by the Confederation of British Industry suggested a stronger picture for 1973. A continued rise in investment by the distributive and service industries this year was also indicated by the official inquiries. Investment in ships, many of which are imported, is expected to level off in the near future. Investment in private housing (both new building and improvement work) is expected to continue to rise quite strongly.

24. *Investment in stocks* is expected to be on a large scale in the period ahead. The timing and scale of future changes in stocks is necessarily uncertain but the exceptionally low level of stocks in relation to output at the present time suggests the early development of a substantial rate of stockbuilding.

25. *Consumers' expenditure* is forecast to rise at an annual rate of 4–4½ per cent. This is less fast than the rate of growth stimulated by the expansionary measures of 1971 and early 1972 but it represents still an above-average rate of increase.

26. The volume of world trade in manufactures is expected to rise faster during this year and in 1974 than it did during 1972 and the pattern of growth by market seems likely to be more advantageous to United Kingdom exporters. The volume of *exports of goods and services* is forecast to rise at an annual rate of around 7 per cent over the 18-month period. In some part this relatively fast rise reflects the low starting point in the second half of 1972 when exports were reduced by the dock strike.

27. *Imports of goods and services* are forecast to rise less rapidly than they did last year. The annual rate of increase, of around 7 per cent, is similar to that shown for exports of goods and services. Net invisible earnings, including property income, are expected to offset much of the visible trade deficit.

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

£ million at 1963 prices, seasonally adjusted

	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 1969 = 100
		Public authorities' consumption	Public investment	Total								
1970	23,410	5,890	2,890	8,780	4,230	8,620	300	45,340	8,360	4,400	32,580	101.9
1971	24,040	6,130	2,970	9,100	4,110	9,060	—40	46,270	8,730	4,590	32,950	103.1
1972	25,540	6,360	2,990	9,350	4,250	9,230	—	48,370	9,530	5,020	33,820	105.8
1973	26,840	6,700	3,180	9,880	4,520	9,900	500	51,640	10,290	5,320	36,030	112.7
1970 first half ...	11,590	2,930	1,460	4,390	2,090	4,290	100	22,460	4,130	2,170	16,160	101.1
second half ...	11,820	2,960	1,430	4,390	2,140	4,330	200	22,880	4,230	2,230	16,420	102.8
1971 first half ...	11,830	3,020	1,480	4,500	2,040	4,460	60	22,890	4,360	2,230	16,300	102.0
second half ...	12,210	3,110	1,490	4,600	2,070	4,600	—100	23,380	4,370	2,360	16,650	104.2
1972 first half ...	12,510	3,140	1,500	4,640	2,120	4,600	—140	23,730	4,670	2,460	16,600	103.9
second half ...	13,030	3,220	1,490	4,710	2,130	4,630	140	24,640	4,860	2,560	17,220	107.8
1973 first half ...	13,280	3,320	1,580	4,900	2,230	4,870	210	25,490	5,080	2,630	17,780	111.3
second half ...	13,560	3,380	1,600	4,980	2,290	5,030	290	26,150	5,210	2,690	18,250	114.2
1974 first half ...	13,880	3,420	1,630	5,050	2,360	5,120	320	26,730	5,390	2,760	18,580	116.3
Percentage changes												
First half 1971 to first half 1972 ...	5.7	4.0	1.4	3.1	3.9	3.1		3.7	7.1	10.3	1.8 ⁽²⁾	
Second half 1971 to second half 1972 ...	6.7	3.5	—	2.4	2.9	0.7		5.4	11.2	8.5	3.4	
First half 1972 to first half 1973 ...	6.2	5.7	5.3	5.6	5.2	5.9		7.4	8.8	6.9	7.1 ⁽²⁾	
Second half 1972 to second half 1973 ...	4.1	5.0	7.4	5.7	7.5	8.6		6.1	7.2	5.1	6.0	
First half 1973 to first half 1974 ...	4.5	3.0	3.2	3.1	5.8	5.1		4.9	6.1	4.9	4.5	
Percentage changes, at annual rate												
Second half 1971 to first half 1973	5.8	4.5	4.0	4.3	5.1	3.9		5.9	10.6	7.5	4.5	
Second half 1972 to first half 1974	4.3	4.1	6.2	4.8	7.1	6.9		5.6	7.1	5.1	5.2	

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

Note: The rounding of figures in the table to the nearest £10 million does not imply accuracy of this order; similar reservations apply to the percentage changes given in the table.

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 1963 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.

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.

* 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.

TABLE 5. PUBLIC SECTOR TRANSACTIONS

	1972-73		1973-74 Estimate	
	Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	8,251	8,204	9,486	9,479
National insurance contributions, etc.	3,520	3,516	4,058	4,058
Taxes on expenditure, central government ⁽²⁾	6,737	6,929	7,447	7,339
Local rates	2,489	2,467	2,640	2,640
Gross trading surplus ⁽³⁾ —				
Central government and local authorities	124	162	151	151
Public corporations	1,670	1,785	2,074	2,074
Rent ⁽⁴⁾	1,500	1,323	1,436	1,436
Interest, dividends, etc.	319	449	456	456
TOTAL	24,610	24,835	27,748	27,633
CAPITAL RECEIPTS				
Current surplus ⁽⁵⁾	3,155	2,961	3,341	3,223
Taxes on capital... ..	727	803	749	747
Capital transfers	28	24	30	30
Receipts from certain pension "funds" (net)	66	121	109	109
Adjustments for accruals of taxes on expenditure	-15	-30	-818	-818
Miscellaneous capital transactions (net) ⁽⁶⁾	-218	-156	16	16
Borrowing requirement (net balance) ⁽⁷⁾ —				
Central government ⁽⁸⁾	3,116	2,118	3,876	3,996
Local authorities ⁽⁹⁾	409	589	665	665
Public corporations ⁽⁹⁾	-167	148	-238	-238
Total borrowing requirement	3,358	2,855	4,303	4,423
TOTAL	7,101	6,578	7,730	7,730

(¹) Differences from the figures given in Table 5 of the Financial Statement and Budget Report 1972-73 (H.C. 189) reflect changes of classification.

(²) Includes selective employment tax in 1972-73 and value added tax in 1973-74.

(³) Before allowing for depreciation and stock appreciation.

(⁴) For 1972-73 refinancable shipbuilding credits are included partly in "miscellaneous capital transactions" and partly in "net lending to private sector". For 1973-74 they are included wholly in "net lending to private sector".

(⁵) Includes refinancable export credits and payments under sterling area agreements.

(⁶) Defined as in Financial Statistics.

(⁷) Includes borrowing of £183 million in 1972-73 and £349 million in 1973-74 to finance redemption of nationalised industries' stock.

(⁸) Borrowing other than from central government and public corporations.

(⁹) Borrowing other than from central government and local authorities; includes redemption of stock.

BY ECONOMIC CATEGORY

£ million

	1972-73		1973-74 Estimate	
	Budget estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services—				
Central government	6,954	7,068	8,052	8,052
Local authorities	4,885	4,972	5,576	5,576
Subsidies—				
Central government	969	964	1,056	1,056
Local authorities	104	75	52	52
Debt interest	2,307	2,484	2,736	2,736
Current grants to personal sector—				
Central government	5,652	5,732	6,163	6,166
Local authorities	335	321	467	467
Current grants abroad	249	258	305	305
Total current expenditure	21,455	21,874	24,407	24,410
Current surplus ⁽²⁾	3,155	2,961	3,341	3,223
TOTAL	24,610	24,835	27,748	27,633
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation—				
Central government	740	719	881	881
Local authorities	2,331	2,312	2,675	2,675
Nationalised industries	1,965	1,755	1,999	1,999
Other public corporations	209	125	250	250
Increase in value of stocks—				
Central government	55	68	44	44
Nationalised industries	104	93	72	72
Capital grants to private sector	944	771	932	932
Net lending to private sector ⁽³⁾	240	195	334	334
Net lending to overseas governments	71	81	59	59
Drawings from United Kingdom subscriptions to international lending bodies... ..	29	33	40	40
Other net lending and transactions abroad ⁽⁴⁾	364	408	443	443
Cash expenditure on company securities (net)	49	18	1	1
TOTAL	7,101	6,578	7,730	7,730

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

£ million

Receipts positive/payments negative	1972-73 Provisional outturn				1973-74 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	8,208	1	-5	8,204	9,498	-14	-5	9,479
National insurance contributions, etc. ...	3,516	—	—	3,516	4,058	—	—	4,058
Taxes on expenditure	6,929 ⁽²⁾	2,467 ⁽³⁾	—	9,396	7,339 ⁽²⁾	2,640 ⁽³⁾	—	9,979
Gross trading surplus ⁽⁴⁾	32	130	1,785	1,947	13	138	2,074	2,225
Rent ⁽⁴⁾ , interest and dividends, etc. ...	328	1,255	189	1,772	327	1,356	209	1,892
Taxes on capital and other capital transfers	803	—	24	827	747	—	30	777
Other financial transactions ⁽⁵⁾	260	-67	-258	-65	-538	-25	-130	-693
Borrowing requirement	2,118	589	148	2,855	3,996	665	-238	4,423
TOTAL RECEIPTS	22,194	4,375	1,883	28,452	25,440	4,760	1,940	32,140
B. EXPENDITURE								
Current expenditure on goods and services	-7,068	-4,972	—	-12,040	-8,052	-5,576	—	-13,628
Debt interest	-1,580	-781	-123	-2,484	-1,719	-892	-125	-2,736
Current grants to personal sector	-5,732	-321	—	-6,053	-6,166	-467	—	-6,633
Other current expenditure	-1,222	-75	—	-1,297	-1,361	-52	—	-1,413
Gross domestic fixed capital formation ...	-719	-2,312	-1,880	-4,911	-881	-2,675	-2,249	-5,805
Increase in value of stocks	-68	—	93	-161	-44	—	-72	-116
Capital transfers	-695	-76	—	-771	-834	-98	—	-932
Lending, etc.	-577	-105	-53	-735	-676	-115	-86	-877
TOTAL EXPENDITURE	-17,661	-8,642	-2,149	-28,452	-19,733	-9,875	-2,532	-32,140
C. TRANSACTIONS WITHIN PUBLIC SECTOR								
Interest and dividends	1,348	-482	-866	—	1,495	-572	-923	—
Current grants	-3,484	3,484	—	—	-4,362	4,362	—	—
Capital grants	-349	248	101	—	-398	326	72	—
Net lending	-2,048	1,017	1,031	—	-2,442	999	1,443	—
TOTAL	-4,533	4,267	266	—	-5,707	5,115	592	—

(1) Excludes transactions on operating account, i.e., receipts from sales and subsidies, and payments for current goods and services.

(2) Includes selective employment tax in 1972-73 and value added tax in 1973-74.

(3) Local rates.

(4) Before allowing for depreciation and stock appreciation.

(5) Includes unidentified items.

TABLE 7. PUBLIC SECTOR FINANCIAL SURPLUS AND BORROWING

£ million

	1972-73		1973-74 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
TOTAL PUBLIC SECTOR				
Saving ⁽¹⁾	3,155	2,961	3,341	3,223
Capital transfers (net)	-189	56	-153	-155
Less: Gross domestic fixed capital formation ...	-5,245	-4,911	-5,805	-5,805
Increase in value of stocks	-159	-161	-116	-116
Financial deficit	-2,438	-2,055	-2,733	-2,853
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-920	-800	-1,570	-1,570
Borrowing requirement	3,358	2,855	4,303	4,423
CENTRAL GOVERNMENT				
Saving ⁽¹⁾	1,427	1,275	1,188	1,070
Capital transfers (net)	-444	-241	-483	-485
Less: Gross domestic fixed capital formation ...	-740	-719	-881	-881
Increase in value of stocks	-55	-68	-44	-44
Financial surplus/deficit	188	247	-220	-340
Financial transactions:				
Net lending to local authorities and public corporations ⁽³⁾	-2,941	-2,048	-2,442	-2,442
Increase (-) in other assets, etc. ⁽²⁾	-363	-317	-1,214	-1,214
Borrowing requirement ⁽²⁾	3,116	2,118	3,876	3,996
LOCAL AUTHORITIES				
Saving ⁽¹⁾	901	706	923	923
Capital transfers (net)	176	172	228	228
Less: Gross domestic fixed capital formation ...	-2,331	-2,312	-2,675	-2,675
Financial deficit	-1,254	-1,434	-1,524	-1,524
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-154	-172	-140	-140
Borrowing within public sector	999	1,017	999	999
Borrowing from other sources	409	589	665	665
PUBLIC CORPORATIONS				
Saving ⁽¹⁾	827	980	1,230	1,230
Capital transfers (net)	79	125	102	102
Less: Gross domestic fixed capital formation ...	-2,174	-1,880	-2,249	-2,249
Increase in value of stocks	-104	-93	-72	-72
Financial deficit	-1,372	-868	-989	-989
Financial transactions:				
Increase (-) in assets, etc. ⁽²⁾	-403	-352	-216	-216
Borrowing from central government	1,942	1,072	1,443	1,443
Borrowing from other sources ⁽³⁾	-167	148	-238	-238

(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 £183 million in 1972-73 and £349 million in 1973-74 to finance redemption of nationalised industries' stock.

(4) Includes lending to local authorities.

(5) Includes redemption of stock.

PART III **CENTRAL GOVERNMENT TRANSACTIONS**

TABLE 8. SUMMARY OF CONSOLIDATED FUND RECEIPTS AND ISSUES

£ million				
	1972-73		1973-74 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
REVENUE (Table 9)				
Taxation	16,212	16,449	16,871	16,754
Miscellaneous Receipts	627	692	697	697
TOTAL	16,839	17,141	17,568	17,451
EXPENDITURE (Table 10)				
Supply Services	15,849	16,750	17,806	17,809
Consolidated Fund Standing Services	775	1,033	839	839
TOTAL	16,624	17,783	18,645	18,648
SURPLUS (+) TRANSFERRED TO OR DEFICIT (-) MET FROM THE NATIONAL LOANS FUND (Table 11)	+215	-642	-1,077	-1,197

TABLE 9. TAXATION AND MISCELLANEOUS RECEIPTS

£ million

	1972-73		1973-74 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes†	After Budget changes
TAXATION				
<i>Inland Revenue—</i>				
Income Tax	6,646	6,478	7,240	7,233
Surtax	352	350	360	360
Corporation Tax	1,395	1,525	2,045	2,045
Capital Gains Tax	200	210	225	225
Death Duties	409	460	400	398
Stamp Duties	170	225	200	203
Other	2	2	—	—
Total Inland Revenue	9,174	9,250	10,470	10,464
<i>Customs and Excise—</i>				
Value added Tax	—	—	1,260‡	1,150‡
Purchase Tax	1,315	1,390	350	350
Oil	1,570	1,545	1,650	1,650
Tobacco	1,140	1,180	1,030	1,030
Spirits, Beer and Wine	1,065	1,070	855	854
Betting and Gaming	175	170	190	190
Car Tax	—	—	120‡	120‡
Other Revenue Duties	11	11	7	7
Protective Duties, etc.	300	339	360	360
Import Levies	20	20	40	40
Total Customs and Excise	5,596	5,725	5,862	5,751
Motor Vehicle Duties	475	480	500	500
Selective Employment Tax (gross)*	967	994	39	39
TOTAL TAXATION	16,212	16,449	16,871	16,754
MISCELLANEOUS RECEIPTS				
Broadcast Receiving Licences	132	137	147	147
Interest and Dividends	100	90	90	90
Other	395	465	460	460
Total	16,839	17,141	17,568	17,451

* Net yield of selective employment tax from the private sector and public corporations (see note (2) on page 22) 224 224 -112 -112

† The figures in this column are estimated on the basis that the duties on tobacco products, spirits, beer, wine and British wine and matches and mechanical lighters are reduced by the amount broadly necessary on average to offset the application of value added tax to these commodities. This amount is estimated to be £490 million in 1973-74.

‡ The first year yields of value added tax and car tax are less than the yields in a full year (i.e. the tax due on chargeable transactions in 1973-74), because the taxes are collected in arrears and because the first year estimate of value added tax has been reduced by £315 million being the estimated amount of relief for tax- and duty-paid stocks. The yields include net receipts of value added tax from purchases by central government and from sales of tobacco products, spirits, beer, wine, British wine, matches and mechanical lighters; on this basis the full year yields of value added tax and car tax are estimated to be £2,200 million and £175 million respectively.

TABLE 10. SUPPLY SERVICES AND CONSOLIDATED FUND
STANDING SERVICES

	£ million			
	1972-73		1973-74 Estimate	
	Budget estimate*	Provisional outturn	Before Budget changes	After Budget changes
SUPPLY SERVICES				
I. Government and Finance...	236	298	268	268
II. Commonwealth and Foreign ...	346	372	386	386
III. Home and Justice ...	410	506	614	614
IV. Trade, Industry and Employment ...	2,267	2,308	2,149	2,149
V. Agriculture ...	484	481	428	428
VI. Environmental Services ...	4,390	4,667	5,336	5,336
VII. Social Services ...	3,783	4,176	4,329	4,329
VIII. Education and Science ...	630	686	737	737
IX. Museums, Galleries and the Arts ...	25	31	39	39
X. Other Public Departments and Common Governmental Services ...	301	276	330	330
XI. Miscellaneous ...	47	49	51	51
XII. Defence ...	2,626	2,900	3,089	3,089
Total ...	15,545	16,750	17,756	17,756
Supplementary provision (net) ...	304	—	50†	53†
TOTAL SUPPLY SERVICES ...	15,849	16,750	17,806	17,809
CONSOLIDATED FUND STANDING SERVICES				
Payment to the National Loans Fund in respect of service of the National Debt ...	230	475	278	278
Northern Ireland—share of reserved taxes, etc. ...	372	362	382	382
Post-war credits (including interest) ...	130	133	5	5
Payments to the European Communities ...	30	50	160	160
Other Services ...	13	13	14	14
Total ...	16,624	17,783	18,645	18,648

* Differences from the figures in Table 10 of the Financial Statement and Budget Report 1972-73 (H.C. 189) reflect revised Estimates presented on 27 March, 1972 (H.C. 198) and 4 July, 1972 (H.C. 313) and changes of classification.

† This is the estimated increase in Supply Votes in 1973-74 to take account of the following:

Social Security: additional provision for benefits	£ million	£ million
Relief to charities	50	3
		53

TABLE 11. NATIONAL LOANS FUND
Summary of Receipts and Payments

Receipts					Payments					£ million
	1972-73		1973-74 Estimate			1972-73		1973-74 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....	1,495	1,351	1,697	1,697	Interest	1,675	1,775	1,920	1,920	
Service of the National Debt—balance met from the Consolidated Fund	230	475	278	278	Management and expenses	50	51	55	55	
TOTAL	1,725	1,826	1,975	1,975	TOTAL	1,725	1,826	1,975	1,975	
CONSOLIDATED FUND SURPLUS (+) OR DEFICIT (—)	+215	—642	—1,077	—1,197	LOANS (NET)*					
BORROWING:					To nationalised industries: (i) Redemption of maturing stock	183† 1,501	183† 725	349† 905	349† 905	
To finance issues for redemption of nationalised industries' stock	183	183	349	349	To other public corporations	179	132	173	173	
Other (net)	2,484	2,463	3,184	3,304	To local and harbour authorities	969	944	978	978	
					To private sector	—7	—8	—6	—6	
					Within central government	57	28	57	57	
					TOTAL	2,882	2,004	2,456	2,456	
	4,607	3,830	4,431	4,431		4,607	3,830	4,431	4,431	

* Details in Table 12.

† See notes † and § on page 20.

‡ See notes * and ‡ on page 20.

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

				1972-73		1973-74 Estimate
				Budget estimate	Provisional outturn	
£ million						
LOANS TO NATIONALISED INDUSTRIES:						
National Coal Board	...	...	...	99	102	94
Electricity Council	...	...	...	320	81	582*
North of Scotland Hydro-Electric Board	...	...	...	28†	10†	40†
South of Scotland Electricity Board	...	...	...	78	23	101
British Gas Corporation	...	...	...	288§	161§	96
British Steel Corporation	...	...	...	368	143	145
Post Office	...	...	...	375	420	477
British Airways Board	...	...	...	24	-36	-36
British Airports Authority	...	...	...	-	-	-
British Railways Board	...	...	...	40	5	4
British Transport Docks Board	...	...	...	10	1	1
British Waterways Board	...	...	...	1	-2	-
Transport Holding Company	...	...	...	-2	-	-
National Freight Corporation	...	...	...	5	-	-
National Bus Company	...	...	...	-	-	-
National Transport Group	...	...	...	-	-	-
Allowance for shortfall (-), or possible underestimation (+)	...	...	...	+50	-	-250
TOTAL	...	...	...	1,684†§	908†§	1,254*†
LOANS TO OTHER PUBLIC CORPORATIONS:						
New Towns—Development Corporations and Commission	...	...	...	133	97	108
Scottish Special Housing Association	...	...	...	14	9	17
Housing Corporation	...	...	...	18	22	23
Covent Garden Market Authority	...	...	...	7	4	7
Sugar Board	...	...	...	-	-	-
Civil Aviation Authority	...	...	...	7	-	14
Maplin Development Authority	...	...	...	-	-	4
TOTAL	...	...	...	179	132	173
LOANS TO LOCAL AND HARBOUR AUTHORITIES:						
Local Authorities	...	...	...	905	915	950
Harbour Authorities	...	...	...	64	29	28
TOTAL	...	...	...	969	944	978
LOANS TO PRIVATE SECTOR:						
Shipbuilding Industry Board	...	...	...	-	-	-
Ship Credit Scheme	...	...	...	-4	-5	-3
Housing Associations	...	...	...	-	-	-
Building Societies	...	...	...	-3	-3	-3
TOTAL	...	...	...	-7	-8	-6
LOANS WITHIN CENTRAL GOVERNMENT:						
Purchase of United States military aircraft	...	...	...	-39	-54	-35
Married quarters for armed forces	...	...	...	-4	-1	-4
Town and Country Planning compensation	...	...	...	11	-2	-2
Redundancy Fund	...	...	...	89	89	98
Northern Ireland Exchequer	...	...	...	-	-	-
TOTAL	...	...	...	57	28	57
Total—Net Lending	...	...	...	2,882†§	2,004†§	2,456*†

* Includes advances to repay £341 million of British Electricity 3 per cent Guaranteed Stock, 1968-73.

† Includes advances to repay £4 million of North of Scotland Electricity 2½ per cent Guaranteed Stock, 1967-72.

‡ Includes advances to repay £8 million of North of Scotland Electricity 3 per cent Guaranteed Stock, 1968-73.

§ Includes advances to repay £179 million of British Gas 4 per cent Guaranteed Stock, 1969-72.

Further details of these items are contained in the White Paper on Loans from the National Loans Fund (Cmd. 5253).

TABLE 13. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

£ million

	1972-73		1973-74 Estimate			1972-73		1973-74 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	8,263	8,208	9,505	9,498	CURRENT EXPENDITURE Current expenditure on goods and services Subsidies Debt interest Current grants to— Local authorities Personal sector Abroad Total current expenditure Current surplus ⁽²⁾	6,954	7,068	8,052	8,052
National insurance contributions	3,238	3,230	3,776	3,776		969	964	1,056	1,056
National health contributions	231	234	231	231		1,492	1,580	1,719	1,719
Redundancy fund contributions	51	52	51	51					
Taxes on expenditure ⁽³⁾	6,737	6,929	7,447	7,339					
Gross trading surplus ⁽⁴⁾	35	32	13	13		3,401	3,484	4,362	4,362
Rent ⁽⁵⁾	111	100	109	109		5,652	5,732	6,163	6,166
Interest and dividends from—						249	258	305	305
Local authorities	486	482	572	572					
Public corporations	873	866	923	923		18,717	19,086	21,657	21,660
Other	119	228	218	218	1,427	1,275	1,188	1,070	
TOTAL	20,144	20,361	22,845	22,730	TOTAL	20,144	20,361	22,845	22,730
CAPITAL RECEIPTS									
Current surplus ⁽⁶⁾	1,427	1,275	1,188	1,070	CAPITAL EXPENDITURE Gross domestic fixed capital formation Increase in value of stocks Capital grants to— Local authorities Public corporations Private sector Net lending to— Local authorities Public corporations— Redemption of nationalised industries' stock Other Private sector ⁽⁷⁾ Net lending to overseas governments Drawings from United Kingdom subscriptions to international lending bodies Other net lending and transactions abroad ⁽⁸⁾ Cash expenditure on company securities (net)	740	719	881	881
Taxes on capital	727	803	749	747		55	68	44	44
Receipts from certain pension "funds" (net)	66	121	109	109					
Adjustments for accruals of taxes on expenditure	—15	—30	—818	—818		269	248	326	326
Miscellaneous capital transactions (net) ⁽⁹⁾	118	169	171	171		51	101	72	72
						851	695	834	834
						999	976	999	999
						183	183	349	349
					1,759	889	1,094	1,094	
					91	57	180	180	
					71	81	59	59	
					29	33	40	40	
					303	369	399	399	
					38	37	—2	—2	
TOTAL	5,439	4,456	5,275	5,275	TOTAL	5,439	4,456	5,275	5,275

(1) Differences from the figures given in Table 13 of the Financial Statement and Budget Report 1972-73 (H.C. 189) reflect changes of classification.

(2) Includes selective employment tax in 1972-73 (see Table 14) and value added tax in 1973-74.

(3) Before allowing for depreciation and stock appreciation.

(4) For 1972-73, refinable shipbuilding credits are included partly in "miscellaneous capital transactions" and partly in "net lending to private sector". For 1973-74 they are included wholly in "net lending to private sector".

(5) Includes refinable export credits and payments under sterling area agreements.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY
Analysis and reconciliation by fund—1972-73 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 (<i>see</i> Table 6)							
Taxes on income	8,235	-27	—	—	—	—	8,208
National insurance contributions, etc.	—	224	—	—	—	3,292	3,516
Taxes on expenditure: Selective employment tax	994	-613	—	—	—	18	399 ⁽²⁾
Other	6,465	17	—	—	—	48	6,530
Other current receipts	69	81	—	5	—	205	360
Taxes on capital and other capital transactions (net)	834	83	—	—	—	146	1,063
Borrowing requirement (net balance) ⁽³⁾	—	12	—	2,646	—	-540	2,118
TOTAL	16,597	-223	—	2,651	—	3,169	22,194
(ii) Interest and dividends received from local authorities and public corporations	21	—	—	1,284	—	43	1,348
TOTAL RECEIPTS	16,618	-223	—	3,935	—	3,212	23,542⁽⁴⁾
B. EXPENDITURE							
(i) Items entering into public sector expenditure (<i>see</i> Table 6)							
Current expenditure on goods and services	5	-6,693	-6	—	-8	-366	-7,068
Debt interest	—	-33	—	—	-1,403	-144	-1,580
Current grants to personal sector	—	-1,939	-133	—	—	-3,660	-5,732
Other current expenditure	—	-1,005	-30	—	—	-187	-1,222
Gross domestic fixed capital formation	3	-687	—	—	—	-35	-719
Other capital expenditure	87	-1,317	-24	—	8	-94	-1,340
TOTAL	95	-11,674	-193	—	-1,403	-4,486	-17,661
(ii) Grants and net lending to local authorities and public corporations	—	-3,757	—	—	-1,984	-140	-5,881
TOTAL EXPENDITURE	95	-15,431	-193	—	-3,387	-4,626	-23,542⁽⁴⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	-584	—	—	—	584	—
Northern Ireland central government: transfers and loans	—	-64	-362	—	-89	515	—
Purchase of United States military aircraft	—	-55	—	—	55	—	—
Other loans and advances	—	-4	-3	—	6	1	—
Debt interest (including profits of Issue Department)	13	-14	-475	537	-415	354	—
B.B.C. licence revenue	137	-137	—	—	—	—	—
Surplus receipts for surrender, etc.	278	-238	—	—	—	-40	—
Deficit on Consolidated Fund	—	—	642	-642	—	—	—
TOTAL INTERNAL TRANSACTIONS	428	-1,096	-198	-105	-443	1,414	—
Grand Total (A, B and C)	17,141⁽⁵⁾	-16,750⁽⁵⁾	-391⁽⁵⁾	3,830⁽⁵⁾	-3,830⁽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 (as shown in the footnote to Table 9) 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—1973-74 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 (<i>see</i> Table 6)							
Taxes on income	9,523	-25	—	—	—	—	9,498
National insurance contributions, etc.	—	238	—	—	—	3,820	4,058
Taxes on expenditure	6,548	-125	—	—	—	916	7,339 ⁽²⁾
Other current receipts	65	50	—	5	—	220	340
Taxes on capital and other capital transactions (net)	783	103	—	—	—	-677	209
Borrowing requirement (net balance) ⁽³⁾	—	11	—	3,653	—	332	3,996
TOTAL	16,919	252	—	3,658	—	4,611	25,440
(ii) Interest and dividends received from local authorities and public corporations	25	—	—	1,423	—	47	1,495
TOTAL RECEIPTS	16,944	252	—	5,081	—	4,658	26,935⁽⁴⁾
B. EXPENDITURE							
(i) Items entering into public sector expenditure (<i>see</i> Table 6)							
Current expenditure on goods and services	10	-7,226	-7	—	-8	-821	-8,052
Debt interest	—	-31	—	—	-1,538	-150	-1,719
Current grants to personal sector	—	-1,917	-5	—	—	-4,244	-6,166
Other current expenditure	—	-1,067	-140	—	—	-154	-1,361
Gross domestic fixed capital formation	5	-879	—	—	—	-7	-881
Other capital expenditure	101	-1,531	-24	—	6	-106	-1,554
TOTAL	116	-12,651	-176	—	-1,540	-5,482	-19,733
(ii) Grants and net lending to local authorities and public corporations	—	-4,294	—	—	-2,405	-503	-7,202
TOTAL EXPENDITURE	116	-16,945	-176	—	-3,945	-5,985	-26,935⁽⁴⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	-638	—	—	—	638	—
Northern Ireland central government: transfers and loans	—	-103	-382	—	-98	583	—
Purchase of United States military aircraft	—	-35	—	—	35	—	—
Other loans and advances	—	-4	-3	—	6	1	—
Debt interest (including profits of Issue Department)	13	-9	-278	547	-429	156	—
B.B.C. licence revenue	147	-147	—	—	—	—	—
Surplus receipts for surrender, etc.	231	-180	—	—	—	-51	—
Deficit on Consolidated Fund	—	—	1,197	-1,197	—	—	—
TOTAL INTERNAL TRANSACTIONS	391	-1,116	534	-650	-486	1,327	—
Grand Total (A, B and C)	17,451⁽⁵⁾	-17,809⁽⁵⁾	358⁽⁵⁾	4,431⁽⁵⁾	-4,431⁽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⁾ Includes value added tax.

⁽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.

ANNEX

TABLE 15. PROPOSED CHANGES IN TAXATION

INLAND REVENUE

Income tax

It is proposed to raise the limits for age exemption for persons aged 65 and over for 1973-74 from £634 for single persons and £929 for married couples to £700 and £1,000 respectively.

It is proposed to increase the exemption limit for savings bank interest from £21 to £40 with effect from 1974-75.

It is proposed to amend the income limit for the dependent relative allowance so that the full allowance will be given where the relative's income does not exceed an amount equivalent to the basic National Insurance Retirement Pension.

It is proposed to charge investment income surcharge on the income of discretionary and accumulation trusts.

It is proposed to make provision for payments in 1973-74 to charities which will suffer loss on account of the reduction in income tax repayments in respect of covenants for amounts net of income tax as a result of the introduction of the unified tax system; and for reducing amounts in the three following years.

It is proposed to amend the law so as to facilitate the introduction of share incentive schemes which provide an opportunity for all the full time employees of a company to acquire shares in the company out of the proceeds of SAYE contracts.

Income tax and corporation tax

It is proposed to bring within the charge to tax profits of persons not resident in the United Kingdom and incomes from employment arising from the exploration and exploitation of the United Kingdom sector of the continental shelf.

It is proposed to amend the law relating to the taxation of transactions in certificates of deposit.

Corporation tax

It is proposed to amend the law regarding surrender of advance corporation tax within groups; and to prevent avoidance of tax through arrangements for the surrender of losses within groups and consortia.

Estate duty

It is proposed to provide that where any shares and securities quoted on a recognised Stock Exchange or holdings in authorised unit trusts are realised by executors or other persons accounting for duty on those investments within 12 months of the death they should, subject to certain safeguards, be able to claim that the total of the sale prices should be substituted for the total of the date of death values of the investments realised. This proposal relates to deaths occurring after 6 March 1973.

Stamp duty

It is proposed to abolish companies capital duty and loan capital duty and to charge instead a duty, at the rate of 1 per cent, in respect of contributions to share capital. The changes will take effect on 1 August 1973.

CUSTOMS AND EXCISE

Value added tax

It is proposed to zero-rate for value added tax, by Order, the supply of articles designed as clothing or footwear for young children and not suitable for older persons.

It is proposed to zero-rate for value added tax, by Order, supplies, except in the course of catering, 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 crystallized fruits); and chocolate biscuits and other confectionery having a case or coating of chocolate couverture, but not including cakes in such a case or coating;

- beverages and products for the preparation of beverages, excluding those beverages which are chargeable with any duty of customs or excise specifically charged on spirits, beer, wine or British wine and preparations thereof but which are not mixtures which may be sold by retail without licence; and

- 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.

TABLE 15. PROPOSED CHANGES IN TAXATION—continued

CUSTOMS AND EXCISE—continued

It is proposed to zero-rate for value added tax, by Order,

- the supply by a charity established primarily for the relief of distress of goods which have been donated for sale, other than goods donated from stock in trade by a taxable person which cost him more than £10; and
- the export of any goods by a charity.

It is proposed to amend Section 7 (5) of the Finance Act 1972 (which provides that if a tax invoice is issued within 14 days after the removal of goods or performance of services, the date of the tax invoice shall become the tax point, notwithstanding other provisions of that Section), so that it shall not override Section 7 (4) (which provides that a tax point occurs when a tax invoice is issued or a payment is received before the removal of goods or performance of services).

Tobacco, spirits, beer, wine and British wine and matches

It is proposed to reduce from 1 April, 1973, the rates of customs and excise duty by such amounts as are broadly necessary on average to offset the application of value added tax to these commodities. Accordingly it is proposed that:

- the rates of duty on tobacco and tobacco products are reduced by £0.7360 per lb.;
- the rates of duty on spirits (other than perfumed spirits) are reduced by £3.4000 per proof gallon;
- the rates of duty on beer are reduced by £3.4750 per 36 gallons and the charge for each additional degree of original gravity above 1030° is reduced by £0.1500 per 36 gallons;
- the rates of duty on wine and British wine are reduced by £0.7375 per gallon;
- the rates of duty on matches are reduced by £0.1975 per 7,200 matches.

Mechanical lighters

It is proposed to abolish with effect from 1 April, 1973, the customs and excise duty on portable lighters constructed solely for the purpose of igniting gas for domestic use.

It is further proposed to reduce from 1 April, 1973, the rates of customs and excise duty on other portable lighters by 10p per lighter so as broadly to offset the application of value added tax.

European Economic Community

In order to conform with the terms of the Treaty of Accession, it is proposed to reduce by one-fifth the existing protective elements in the existing customs revenue duties chargeable on manufactured tobacco, spirits, beer and matches imported from the EEC with effect from 1 April, 1973, and on unmanufactured tobacco and wine with effect from 1 July, 1973. It is further proposed that the Treasury shall be empowered to make by Order further reductions in the protective elements in the customs revenue duties chargeable on imports from the EEC and such changes as are necessary to align in stages protective elements in the revenue duties with the import duties chargeable under the Community's Common Tariff in respect of imports from non-EEC countries.

Relief for tax- and duty-paid stocks

It is proposed to allow an amount to be deducted as input tax for purposes of value added tax, in respect of purchase tax and of part of any customs and excise duties on tobacco, spirits, beer, wine, British wine, matches and mechanical lighters charged on unused goods or parts or ingredients thereof held by a taxable person for sale in the course of business at commencement of value added tax.

It is further proposed that the relief shall be subject to compliance with the conditions of Notice No. 748 published by the Commissioners of Customs and Excise.

It is further proposed that the amount to be deducted as input tax shall be as follows:

Purchase tax

The amount charged; or the amount which would have been charged at the rates in force on 7 November, 1972, if this is less. In the case of vehicles liable to car tax, three-fifths of the above amount.

TABLE 15. PROPOSED CHANGES IN TAXATION—continued

CUSTOMS AND EXCISE—continued

Customs and excise duties

The difference between

(a) the amount charged; or, if duty was charged at a rate different from the rate in force on 7 November, 1972, the amount that would have been charged had the duty rate been that in force on 7 November, 1972, and

(b) the amount that would have been charged, had duty been charged at the rates (other than the EEC rates) set out in the Tables on pages 28 to 32 as applicable from 1 April, 1973.

For gas lighters, the duty in force on 1 April, 1973 is to be deemed for this purpose to be 10p per lighter for EFTA, Irish Republic and excise rates, and 12½p for other rates.

It is further proposed that where an amount is treated as input tax to take account of a duty charged, any

drawback or repayment shall be calculated as if the duty had been charged at the relevant rate (other than the EEC rates) set out in the Tables on pages 28 to 32 as applicable from 1 April, 1973.

Car tax

It is proposed that cars exported under relief from car tax but brought back into the United Kingdom shall be chargeable with the tax as if they were foreign manufactured cars brought into the United Kingdom for the first time.

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 16. ESTIMATED EFFECTS OF CHANGES IN TAXATION

£ million

	Estimate for 1973-74	Estimate for a full year
INLAND REVENUE		
<i>Income tax</i>		
Increase in income limits for age exemption to £700 for single persons and £1,000 for married couples	-7	-12
Increase in exemption limit for savings bank interest to £40	Nil	-3
Investment income of certain trusts subjected to investment income surcharge	Nil	+5
Relief to charities in respect of reduction in income tax repayments	-3*	*
<i>Income tax and corporation tax</i>		
Charge to tax on certain sales of certificates of deposit	Negligible	+10
<i>Corporation tax</i>		
Restriction of group relief	Negligible	+100
<i>Estate duty</i>		
Valuation of stocks and shares at sale price instead of date of death values ...	-2	-5
<i>Stamp duty</i>		
Charge of 1 per cent in respect of contributions to share capital	+3	+5
TOTAL INLAND REVENUE	-9	...
CUSTOMS AND EXCISE		
Value added tax: alterations in coverage	-110	-165
Revenue duties: alterations in protective margins	-1	-2
Gas lighters: abolition of duty	Negligible	Negligible
TOTAL CUSTOMS AND EXCISE	-111	-167
Total	-120	...

* This item is borne on Supply Votes—see footnote on page 18. The total cost will be £7½ million spread over four years.

TABLE 17. CONSOLIDATED TABLES OF REVENUE DUTY CHANGES

The existing rates of duty and the proposed rates, to take account of the reduction both to offset the application of value added tax and to fulfil EEC obligations, are as in the following tables.

TABLE A. TOBACCO

	Existing rates			Proposed rates			
	Customs		Excise	Customs			Excise
	Full	Preferential		Full	Preferential	EEC	
	£ per lb.	£ per lb.	£ per lb.	£ per lb.	£ per lb.	£ per lb.	£ per lb.
(a) Unmanufactured—							
Containing 10 per cent or more by weight of moisture... ..	5·0410	4·9640 (C) 5·0410 (E)	4·9560	4·3050	4·2280 (C) 4·3050 (E)	4·3050*	4·2200
Other	5·0910	5·0060 (C) 5·0910 (E)	4·9970	4·3550	4·2700 (C) 4·3550 (E)	4·3550†	4·2610
(b) Manufactured—							
Cigars	5·4850	5·3375 (C) 5·3375 (E)	—	4·7490	4·6015 (C) 4·6015 (E)	4·7195	—
Cigarettes	5·3160	5·1975 (C) 5·0975 (E)	—	4·5800	4·4615 (C) 4·3615 (E)	4·5363	—
Cavendish manufactured in bond	5·1660	5·0685 (C) 5·1660 (E)	5·0685	4·4300	4·3325 (C) 4·4300 (E)	4·4105	4·3325
Other Cavendish	5·2660	5·1540 (C) 5·1540 (E)	—	4·5300	4·4180 (C) 4·4180 (E)	4·5076	—
Other	5·1785	5·0810 (C) 5·0410 (E)	—	4·4425	4·3450 (C) 4·3050 (E)	4·4150	—
(c) Snuff and snuff work	5·2040	5·1020 (C) 5·0910 (E)	—	4·4680	4·3660 (C) 4·3550 (E)	4·4454	—

* Reducing to £4·2880 from 1 July, 1973.
† Reducing to £4·3362 from 1 July, 1973.
The rates of tobacco duty applied to goods from the Commonwealth are denoted by (C).
The rates denoted by (E) in this Table are to be applied to goods from countries which at 31 December, 1972, were within the EFTA Convention area except that in the case of Denmark the EEC rates are to be applied to unmanufactured tobacco.
The rate applied to goods from the Republic of Ireland is equivalent to (C) or (E), whichever is the lower.

TABLE 17. CONSOLIDATED TABLES OF REVENUE DUTY CHANGES—continued

TABLE B. SPIRITS

	Existing rates			Proposed rates			
	Customs		Excise	Customs			Excise
	Full	Commonwealth Republic of Ireland and EFTA		Full	Commonwealth Republic of Ireland and EFTA	EEC	
	£	per proof gallon £	£	£	per proof gallon £	£	£
1. British spirits	—	—	18·8500	—	—	—	15·4500
2. Imported spirits (other than perfumed spirits)							
(a) not comprised below	18·9125	18·8500	—	15·5125	15·4500	15·5125	—
(b) liqueurs, cordials, mixtures, etc., in bottle, entered so as to indicate that the strength is not to be tested	25·5125	25·4250	—	20·9450	20·8575	20·9450	—
(c) ethyl alcohol or neutral spirits, undenatured, of a strength of 140° proof or higher; denatured spirits of any strength	18·9750	18·8500	—	15·5750	15·4500	15·5500	—
(d) rum	18·9750	18·8500	—	15·5750	15·4500	15·5500	—

Each of the above rates being, in the case of spirits not warehoused or warehoused for less than three years, increased by £0·075 per proof gallon or, for spirits within paragraph (b) of this table, by £0·10 per gallon.
The EFTA rate is to be applied to spirits from countries which at 31 December, 1972, were within the EFTA convention area.
Note: The rates of duty on imported perfumed spirits are unchanged.

TABLE 17. CONSOLIDATED TABLES OF REVENUE DUTY CHANGES—continued

TABLE C. BEER							
	Existing rates			Proposed rates			
	Customs		Excise	Customs			Excise
	Full	Commonwealth, Republic of Ireland and EFTA		Full	Commonwealth, Republic of Ireland and EFTA	EEC	
	£	per 36 gallons £	£	£	per 36 gallons £	£	£
For the first 1,030 degrees (or less) of original gravity	11·3750	10·3750	10·3750	7·90	6·90	7·70	6·90
For each degree in excess of 1,030 degrees an additional	0·44	0·44	0·44	0·29	0·29	0·29	0·29

The EFTA rate applies to beer from countries which on 31 December, 1972, were within the EFTA Convention area.

TABLE 17. CONSOLIDATED TABLES OF REVENUE DUTY CHANGES—continued

TABLE D. WINE AND BRITISH WINE										
	Existing rates				Proposed rates					
	Customs (wine)			Excise (British wine)	Customs (wine)				Excise (British wine)	
	Full and EFTA	Common- wealth	Irish Republic		Full and EFTA‡	Common- wealth	Irish Republic	EEC		
	£ per gallon				£ per gallon					
								From 1.4.73	From 1.7.73	
Light wine										
(a) Still										
(i) not in bottle ...	1·6125	1·5125	1·4875	} 1·4875	0·8750	0·7750	0·7500	0·8750	0·8500	} 0·7500
(ii) in bottle ...	1·7375	1·5875	1·4875		1·0000	0·8500	0·7500	1·0000	0·9500	
(b) Sparkling ...	2·2375	2·1375	1·7875	1·7875	1·5000	1·4000	1·0500	1·5000	1·4800	1·0500
Other wine										
(a) Still			1·7375*	} 1·7375			1·0000*			} 1·0000
(i) not in bottle ...	2·7125	2·2125	2·2125†		1·9750	1·4750	1·4750†	1·9750	1·8750	
			1·7375*				1·0000*			
(ii) in bottle ...	2·8375	2·2875	2·2125†	} 2·0375	2·1000	1·5500	1·4750†	2·1000	1·9750	} 1·3000
			2·0375*				1·3000*			
(b) Sparkling ...	3·3375	2·8375	2·8375†		2·6000	2·1000	2·1000†	2·6000	2·5000	1·3000
For each degree or fraction of a degree in excess of 42 degrees an additional	0·22	0·18	0·18		0·16	0·12	0·12	0·16	0·152	

* Not exceeding 32 degrees of proof spirit.

† Exceeding 32 degrees of proof spirit.

Light wine means wine not exceeding 25 degrees of proof spirit or in the case of British wine and wine admitted at the Commonwealth or Irish Republic rates 27 degrees of proof spirit.

‡ The EFTA rate is to be applied to wine other than vermouths and other wines of fresh grapes flavoured with aromatic extracts (Tariff heading 22·06), from countries which at 31 December, 1972, were within the EFTA Convention area, except that for such wine from Denmark the EEC rates are to be applied. For vermouths and other wines of fresh grapes flavoured with aromatic extracts from certain EFTA countries, viz., Austria, Portugal (including the Azores and Madeira), Sweden and Switzerland (including Liechtenstein) the EEC rates are to be applied.

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TABLE 17. CONSOLIDATED TABLES OF REVENUE DUTY CHANGES—continued

TABLE E. MECHANICAL LIGHTERS AND MATCHES

	Existing rates			Proposed rates			
	Customs		Excise	Customs			Excise
	Full and Commonwealth	EFTA and Republic of Ireland		Full and Commonwealth	EFTA and Republic of Ireland	EEC	
	£	£	£	£	£	£	£
Mechanical lighters							
(i) Portable lighters constructed solely for the purpose of igniting gas for domestic use	0·2250	0·2000	0·2000	Nil	Nil	Nil	Nil
(ii) Other portable lighters	0·3250	0·3000	0·3000	0·2250	0·2000	0·2250	0·2000
Matches							
For every 7,200	0·7200	0·6875	0·6875	0·5225	0·4900	0·5160	0·4900

The EFTA rate applies to imports from countries which on 31 December, 1972, were within the EFTA Convention area.