

# Financial Statement and Budget Report 1971-72

RETURN to an Order of The House of Commons dated 30 March, 1971: for

COPY of FINANCIAL STATEMENT AND BUDGET REPORT 1971-72 as laid before  
the House by the CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

Treasury Chambers,  
30 March, 1971 } PATRICK JENKIN

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*Ordered by The House of Commons to be Printed*  
*30 March, 1971*

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LONDON  
HER MAJESTY'S STATIONERY OFFICE  
9s. 0d. [45p] net

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# PART I

## THE ECONOMIC BACKGROUND TO THE BUDGET

### REVIEW OF DEVELOPMENTS IN THE PAST YEAR

1. During 1970 there was a rapid rate of cost and price inflation against the background of slowly rising output and a high and increasing level of unemployment. The surplus on the external current balance declined somewhat during 1970 from an annual rate of just over £700 million in the first half to one of about £550 million in the second half. During the year the visible trade balance changed little; the abnormally rapid rise in export prices largely masked the effect of a small decrease in the volume of exports of goods coupled with a large rise in the volume of imports. The following paragraphs discuss these developments in more detail.

#### Domestic developments

2. The relatively slow growth of output in 1969 continued in 1970; in the second halves of both years gross domestic product was about 2 per cent above the level of a year earlier. This rate of increase was below the rate of growth of productive potential (broadly, the rate at which output growth can be sustained without any change in the pressure on resources). Within both years the increase in output appears to have taken place mainly in the second half of the year. Between the two halves of 1970 output rose by 1½–2 per cent but was dependent to a considerable extent on an unusually high level of stockbuilding in the second half of the year.

3. With the slow increase in output during 1970 there was a continued weakening in the labour market, and an increase in spare capacity in the economy as a whole. By March 1971 the numbers wholly unemployed had risen by about 90,000 (0·4 per cent of total employees) over a year earlier and there had also been a substantial decline in adult vacancies. There was a large increase in the number of working days lost by strikes in 1970 above the high level recorded for 1969.

4. A higher level of pay settlements was much the most important factor in the faster rise of costs and prices during 1970: wholesale prices<sup>(1)</sup> by the fourth

quarter of 1970 were nearly 9 per cent higher than a year earlier compared with the corresponding rise of under 4½ per cent during the year up to the fourth quarter of 1969.

5. The faster growth of money incomes during 1970 was one factor in the faster expansion in the volume of consumers' expenditure. But there were other reasons; the years before 1970 had seen a succession of restrictive measures which substantially reduced the growth in consumption, while the 1970 Budget gave a stimulus, as did the rise in consumer borrowing. But the faster growth of real incomes in 1970 was accompanied by a sizeable increase in savings, despite the rise in borrowing and the high rate of inflation.

6. Although domestic output rose at much the same rate—about 2 per cent—during 1970 as during 1969, the pattern of expansion was different. The rapid expansion of exports of goods and services between the second halves of 1968 and 1969 gave way to a small rate of increase by the second half of 1970. There was little further impetus to the volume of exports from devaluation after the second half of 1969. By contrast public expenditure on goods and services, which had fallen during 1969, rose by nearly 2 per cent during 1970. Consumers' expenditure rose by 3–3½ per cent compared with about 1½ per cent during 1969. Private fixed investment as a whole rose at about the same rate as during the previous year, but within the total, industrial investment slowed down. While demand, in total, rose by about 3 per cent during 1970, a substantial proportion of this was met from imports (which rose much faster than during 1969), so reducing the rise in home output to under 2 per cent.

7. One of the features of 1970 was thus a partial reversal of the switch of resources (in real terms) into the balance of payments that had occurred between 1968 and 1969. Various adverse factors of a temporary nature can be identified, such as the fall in exports of ships and aircraft; some imports were probably delayed from the second half of 1969 into the early part of 1970 by strikes overseas; and imports in the second half of 1970 were probably increased by the high rate of stockbuilding. On balance, weakening of competitiveness arising from the rate of inflation in the United Kingdom was probably not a large factor taking the year as a whole.

*Note:* Unless otherwise stated Part I of this report is based on seasonally adjusted data.

<sup>(1)</sup> Wholesale prices of manufacturing output (excluding food, drink and tobacco) for the home market.

### Monetary developments

8. Monetary conditions were unusually stringent at the beginning of 1970. For the second year running, the public sector had a large revenue quarter surplus of over £1,200 million.<sup>(1)</sup> In addition, the authorities sold approaching £350 million<sup>(1)</sup> of gilt-edged stock to the non-bank public. The resulting tightness contributed to, and was in considerable measure relieved by, a massive inflow of funds from overseas, with the result that the money supply rose modestly after seasonal adjustment during the quarter. Gilt-edged market yields were clustered closely together around 9 per cent and tending to drift downwards.

9. After the revenue quarter, the money supply and bank lending to the private sector began to expand quite strongly. Bank rate was reduced from 8 per cent to 7½ per cent in March and again from 7½ per cent to 7 per cent at the time of the April Budget. A period of profit-taking followed in the gilt-edged market, and the gap between yields in the different maturities began to widen, with long yields going to around 9½ per cent and shorts below 8 per cent. A recovery in the market at the end of June was short-lived, and with the maturity on 1 September of 3 per cent Savings Bonds 1960–70, the authorities bought in a substantial amount of stock, particularly shorts.

10. Towards the end of the year and at the beginning of 1971, the demand for bank borrowing appeared to be slacker. The authorities resumed sales of gilt-edged in December, and from January onwards these sales were on an exceptionally large scale. At the same time, with the steady fall in Euro-dollar and other overseas rates, interest rate differentials became more favourable to London and the inflow of funds from abroad again reached large proportions. Mainly under the influence of this inflow, and despite the exceptionally large sales of gilt-edged by the authorities, the money supply continued to expand at a substantial rate, though the figures may have been distorted by the postal strike.

### The balance of payments

11. The balance of payments on current account showed a surplus of £631 million in 1970 as a whole—an increase of £194 million on 1969. The rate of surplus declined somewhat between the two halves of the year. Visible trade is provisionally estimated to have been in approximate balance over the year compared with a deficit of £141 million in 1969, and the net surplus on invisible earnings improved by £50 million to £628 million. There was a massive net inflow associated with investment and other capital

transactions in 1970, which was particularly marked in the first quarter of the year. In all, the total currency flow in 1970 was £1,287 million, nearly £550 million higher than in 1969. The total available for the repayment of debt and additions to official reserves was £1,420 million, after taking account of an allocation of Special Drawing Rights of £171 million and the financing of a gold subscription of £38 million to the International Monetary Fund in respect of an increase in quota. Official short and medium-term borrowing was reduced by £1,295 million to £1,369 million, and the reserves rose by £125 million to £1,178 million at the end of the year.

12. The value of world trade in manufactures continued to rise quite rapidly in 1970, although the rate of increase was slower in the second half of the year. The rise in prices accounted for rather more of the growth of trade in manufactured goods than in 1969. The value of United Kingdom exports of goods on a balance of payments basis rose by nearly 12 per cent between 1969 and 1970.<sup>(2)</sup> About two-thirds of the expansion was accounted for by higher prices. After rising strongly between the first and second halves of 1969, the volume of exports continued at the higher level in the two halves of 1970; the course of exports in the second half of the year was affected by the dock strike. United Kingdom imports rose faster than in the previous year. On a balance of payments basis the value increase was about 9 per cent, of which about a third was due to higher prices. The rise in the volume of imports was somewhat more than can readily be explained in terms of the rise in the level of total final expenditure, even after allowing for factors such as overseas strikes (which delayed some imports from 1969 to 1970) and the winding up of the import deposit scheme. Since the value of exports rose more than the value of imports, the visible balance improved between 1969 and 1970, to a small surplus.

13. The net surplus on invisibles improved further in 1970. The rate of surplus fell back in the second half of the year, partly reflecting the initial impact of higher voyage charter rates for tankers. Travel earnings increased rapidly as the number of visitors to this country continued to grow. The increase was greater than that in expenditure on travel abroad, despite the ending of the travel currency restrictions at the beginning of 1970.

14. Among investment and other capital transactions, the net outflow last year of some £200 million on official long-term capital account was about £100 million higher than in 1969. Repayments to the United States

<sup>(2)</sup> After net allowance for factors affecting recording in both years.

### Forecasts and outturn for 1970

16. The Financial Statement and Budget Report for 1970–71 issued by the previous administration continued the practice, which had been started in the Financial Statement for 1968–69, of setting out a detailed forecast of demand and output over the period up to the middle of the following year. In Table 1 the forecasts for 1970 are compared with provisional estimates of the outcome.

17. The increase in output between the second halves of 1969 and 1970 was 1½–2 per cent, against the forecast 3½ per cent. Most of this error in prediction stemmed from the forecast of the trade balance; the volume of exports increased substantially less, and that of imports substantially more, than was forecast. In both cases special factors were at work. Public and private investment also did not rise as much as had been forecast. The rise in public consumption was close to the forecast, while personal consumption rose somewhat less than forecast. The increase in stockbuilding was above forecast. An overestimate of personal consumption was to be expected, given the overestimate of other components of demand. Apart from multiplier effects, both real incomes and savings rose more strongly than foreseen. Changes between the second halves of 1969 and 1970 in some of the main factors generating the rise in consumers' expenditure are shown in Table 2.

18. The qualitative forecast for the external current balance was that the *visible balance* in 1970 would be "substantially better than in 1969". In the event it was about in balance compared with a deficit of about £140 million in 1969. The expectation that *net invisible earnings* would be "broadly maintained" was exceeded with net earnings at about £630 million compared with some £580 million in 1969.

Exim Bank of credit for purchases of United States military aircraft began to exceed receipts. In addition, the previous year had included receipts under the German offset loan agreement. There were no overseas issues by United Kingdom public authorities in 1970, helping to account for the small net outflow in respect of overseas investment in the United Kingdom public sector. Overseas investment in the United Kingdom private sector was at broadly the same level as in 1969. United Kingdom private investment overseas in 1970 rose to the 1968 level after a fall in 1969. Direct investment was rather lower than in the previous year, despite a number of exceptionally large transactions, but other forms of investment increased. The growth of import credit outstanding was well below the abnormal inflow of the previous year, reflecting in part net repayments of external funds used to finance import deposits. The growth in export credit outstanding, at about £300 million, was much the same as in 1969.

15. The total currency flow in 1970 also reflected substantial net inward movements of funds particularly in the first quarter, associated with relatively tight United Kingdom monetary conditions. Interest rate differentials were not markedly favourable to this country until towards the turn of the year. The continued strength of the balance of payments of overseas sterling area countries, taken together, was reflected in the rise of £389 million in balances held in the United Kingdom, some £130 million greater than in 1969. Sterling balances of non-sterling area countries increased by nearly £100 million. There was a very marked rise in foreign currency lending to United Kingdom residents, much of it for domestic use. A change of exchange control policy announced in early January this year was designed to curb short-term borrowing of this kind.

<sup>(1)</sup> Not seasonally adjusted.

TABLE 1. 1970, FORECAST AND OUTCOME

Changes: 2nd half 1969 to 2nd half 1970 (at constant 1963 prices)

	Forecast		Estimated outcome	
	£ million	Per cent	£ million	Per cent
Consumers' expenditure ... ..	460	4.0	380	3.3
Public expenditure on goods and services:	120	2.8	80	1.8
Public authorities' consumption ... ..	60	2.1	50	1.7
Public fixed investment ... ..	60	4.2	30	2.1
Private fixed investment ... ..	80	4.2	40	2.1
Exports of goods and services ... ..	140	3.4	20	0.5
Stockbuilding ... ..	80		150	
Total final expenditure ... ..	880	4.0	670	3.0
Imports of goods and services ... ..	210	5.4	300	7.7
Adjustment to factor cost ... ..	100	4.6	90	4.1
Gross domestic product at factor cost ... ..	570	3.6	280	1.8

Note: All figures in Tables 1 and 4 are based on the "compromise" estimates of gross domestic product. Alternative estimates of gross domestic product are available from expenditure, income and output data and these estimates may differ in their short-period movements. For forecasting purposes a single appreciation of recent developments is desirable and the figures for the past are essentially a compromise between the three alternative estimates. In addition, estimated adjustments are made for obvious distortions and some expenditure series are smoothed. The differences between the compromise and expenditure series are allocated, at the forecasters' discretion, between the components of expenditure. The level in £ million of the compromise estimate of gross domestic product shown in Table 4 was chosen to be the same in 1969 as the expenditure estimate. For additional explanatory notes on the fixed investment figures, see the footnote on page 10.

TABLE 2. CHANGES IN PERSONAL INCOME, CONSUMER PRICES AND CONSUMERS' EXPENDITURE DURING 1970

2nd half 1969 to 2nd half 1970

	£ million	Per cent
Average wage and salary earnings per head ... ..		14.7
Total personal income ... ..	2,320	11.8
Personal disposable income <sup>(1)</sup> ... ..	1,690	10.7
Consumer prices ... ..		6.0
Real personal disposable income, at 1963 prices ... ..	550	4.5
Personal savings, at 1963 prices <sup>(2)</sup> ... ..	170	
Consumers' expenditure, at 1963 prices <sup>(3)</sup> ... ..	380	3.3

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

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

<sup>(3)</sup> As in Table 1.

TABLE 3. BALANCE OF PAYMENTS TRENDS

£ million

	1968	1969	1970	1969		1970	
				1st half	2nd half	1st half	2nd half
Seasonally adjusted							
A. CURRENT ACCOUNT							
Exports ... ..	6,273	7,061	7,885	3,388	3,673	3,888	3,997
Imports ... ..	6,916	7,202	7,882	3,563	3,639	3,867	4,015
Visible balance ... ..	-643	-141	+3	-175	+34	+21	-18
Invisible balance ... ..	+337	+578	+628	+284	+294	+338	+290
Current balance ... ..	} -306	+437	+631	+109	+328	+359	+272
Current balance—not seasonally adjusted ... ..				+129	+308	+373	+258
Not seasonally adjusted							
B. INVESTMENT AND OTHER CAPITAL FLOWS							
Official long-term capital ... ..	+17	-98	-205	-39	-59	-86	-119
Overseas investment in United Kingdom public sector ... ..	+42	+63	-18	+20	+43	-5	-13
Overseas investment in United Kingdom private sector ... ..	+587	+678	+665	+358	+320	+392	+273
United Kingdom private investment overseas ... ..	-727	-652	-735	-350	-302	-309	-426
Trade credit (net) ... ..	-279	-160	-292	-62	-98	-110	-182
Other identified capital transactions <sup>(1)</sup> ... ..	-650	+154	+1,084	+120	+34	+774	+310
C. BALANCING ITEM ... ..	-94	+321	+157	+178	+143	+113	+44
Total Currency Flow (A+B+C) ... ..	-1,410	+743	+1,287	+354	+389	+1,142	+145
Allocation of Special Drawing Rights (+) ... ..	—	—	+171	—	—	+171	—
Gold subscription to IMF (-) ... ..	—	—	-38	—	—	—	-38
Total of above ... ..	-1,410	+743	+1,420	+354	+389	+1,313	+107
Financed as follows:							
Official borrowing: (net drawings (+)/repayments (-)) ... ..	+1,296	-699	-1,295	-345	-354	-1,203	-92
Official reserves: (drawings on (+)/additions to (-)) ... ..	+114	-44	-125	-9	-35	-110	-15

<sup>(1)</sup> Including Euro-dollar borrowing in London for investment overseas. It also includes in 1968 the Exchange Equalisation Account's loss on forwards of -251.

19. The forecasts up to mid-1972 cover much the same ground as those shown for the forecasts a similar period ahead in the previous issues of the Financial Statement and Budget Report. These forecasts are necessarily subject to a wide margin of error.

#### Domestic prospects

20. The behaviour of the domestic economy will be affected by the extent to which inflation is brought under control during the year ahead. Apart from influencing the growth of real personal disposable income and of private investment, the rate of price and labour cost increases in the future will affect the competitiveness of United Kingdom goods in overseas and home markets.

21. During the year from the first half of 1971 the gross domestic product is forecast to increase by about 3 per cent. Consumers' expenditure is likely to be the main source of expansion with a continued expansion at a somewhat faster rate than total final expenditure. Total output is expected to rise broadly in line with the estimated rate of growth of productive potential over the year ahead.

22. The following paragraphs give the prospects in outline for each of the main components of demand in terms of the percentage changes between the first half of 1971 and the first half of 1972. The full half-yearly run of figures is given in Table 4.

23. Total demand for goods and services by the public sector is likely to increase by about 2 per cent—about the same as during last year. In volume terms *public authorities' current expenditure on goods and services*<sup>(1)</sup> is forecast to increase by 1½–2 per cent. Most of this increase is in expenditure by local authorities as there is little rise in Central Government consumption.

24. *Public sector investment*<sup>(1)</sup> is forecast to rise by about 2½–3 per cent. Public corporations' investment is expected to increase slowly—increases in the Post Office and British Steel Corporation's programmes

<sup>(1)</sup> 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 1970–71 and 1971–72 are increases of under 1½ per cent in public authorities' consumption and of about 3 per cent in public sector investment.

being to some extent offset by reductions in the Electricity and Gas programmes, while the decline in public sector housing flattens out. Public authorities' non-housing fixed investment should rise strongly, reflecting increases in the Education and Health and Welfare programmes.

25. A small rise is foreseen for the total of *private sector fixed investment*. The official investment intentions inquiry, published in January, suggested a fall in manufacturing fixed investment in 1971 and little change in fixed investment by the distributive and service industries (other than shipping); but this inquiry was held, of course, before the Budget changes were known. The inquiry suggests a strong rise in investment in shipping. Demand for private sector housing should increase steadily over the period of the forecast and the supply of funds, given the expected inflow into building societies, is unlikely to prove a constraint.

26. The rate of *stockbuilding* is expected to fall back sharply from the high level reached in the second half of 1970 and then to show some recovery over the year ahead. *Consumers' expenditure* is forecast to increase by about 5 per cent.

27. World trade in manufactures (by value), which increased somewhat more slowly in the second half of last year than in the first half, is expected to rise somewhat faster, at about its past trend rate, over the period of the forecast. The volume of *exports of goods and services* is forecast to increase by 2–2½ per cent between the first halves of 1971 and 1972. By value the increase in exports is expected to be considerably larger.

28. The forecasts of domestic demand and exports together imply that *total final expenditure* will increase by 4 per cent. The volume of *imports of goods and services* is expected to increase by some 6 per cent. This forecast reflects expected increases in the volume of imports of industrial materials and finished manufactures, including ships and aircraft. The recent agreement between the oil companies and the members of the Organisation of Petroleum Exporting Countries will mean a substantial increase in the price of oil imports in 1971.

29. Gross domestic product is expected to increase by about 3 per cent between the first half of 1971 and the first half of 1972.

#### The balance of payments

30. For 1971 the current account surplus on the balance of payments is not likely to be as high as in 1970, but should still be substantial. Net invisible earnings are expected to be maintained at their recent

high level. But the balance of visible trade is likely to be less favourable than in 1970. The volume of imports is forecast to rise faster than the volume of exports. The effect of this on the visible balance should be partly offset by some further improvement in the terms of trade.

31. The total currency flow is difficult to forecast. It depends also on the whole complex of investment

and capital items, such as export and import credit, outward and inward private investment, and monetary transactions, including borrowing by the private sector of Euro-dollars, for example to finance United Kingdom investment overseas, and movements in sterling balances. The pattern may be once again that a large currency inflow in the first quarter is followed by a smaller and fluctuating currency flow in the later quarters.

TABLE 4. FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT<sup>(1)</sup>

£ million at 1963 prices, seasonally adjusted

	Consumers' expenditure	Public expenditure on goods and services			(2) Private 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	G.D.P. index 1968 = 100
		Public authorities' consumption	(2) Public investment	Total								
1968	22,580	5,860	3,090	8,950	3,700	7,360	140	42,730	7,650	4,220	30,860	100.0
1969	22,660	5,820	2,880	8,700	3,850	8,050	300	43,560	7,770	4,250	31,540	102.2
1970	23,350	5,890	2,870	8,760	3,910	8,360	410	44,790	8,280	4,440	32,070	103.9
1971	24,190	5,980	2,960	8,940	3,950	8,610	100	45,790	8,730	4,600	32,460	105.2
1968 first half	11,320	2,950	1,570	4,520	1,810	3,570	-60	21,160	3,800	2,090	15,270	99.0
second half...	11,260	2,910	1,520	4,430	1,890	3,790	200	21,570	3,850	2,130	15,590	101.0
1969 first half	11,240	2,910	1,460	4,370	1,920	3,890	170	21,590	3,870	2,080	15,640	101.4
second half...	11,420	2,910	1,420	4,330	1,930	4,160	130	21,970	3,900	2,170	15,900	103.0
1970 first half	11,550	2,930	1,420	4,350	1,940	4,180	130	22,150	4,080	2,180	15,890	103.0
second half...	11,800	2,960	1,450	4,410	1,970	4,180	280	22,640	4,200	2,260	16,180	104.9
1971 first half	11,930	2,980	1,470	4,450	1,980	4,270	40	22,670	4,310	2,260	16,100	104.3
second half...	12,260	3,000	1,490	4,490	1,970	4,340	60	23,120	4,420	2,340	16,360	106.0
1972 first half	12,560	3,030	1,510	4,540	1,990	4,370	120	23,580	4,580	2,400	16,600	107.6
Percentage changes												
First half 1969 to first half 1970...	2.8	0.7	-2.7	-0.5	1.0	7.5		2.6	5.4	4.8	1.6	
Second half 1969 to second half 1970...	3.3	1.7	2.1	1.8	2.1	0.5		3.0	7.7	4.1	1.8	
First half 1970 to first half 1971...	3.3	1.7	3.5	2.3	2.1	2.2		2.3	5.6	3.7	1.3	
Second half 1970 to second half 1971...	3.9	1.4	2.8	1.8	—	3.8		2.1	5.2	3.5	1.1	
First half 1971 to first half 1972...	5.3	1.7	2.7	2.0	0.5	2.3		4.0	6.3	6.2	3.1	

<sup>(1)</sup> All figures in Table 4 are based on the "compromise" estimates of gross domestic product. For further explanation, see note to Table 1.<sup>(2)</sup> The breakdown between public and private sector investment used for forecasting purposes differs from that used in the published statistics.

See footnote on page 10.

Note: The rounding of the 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.

The figures for receipts and expenditure both in 1970-71 and in 1971-72 are measured at the estimated outturn prices of each year. In Tables 5 and 7 the 1970 Budget estimates for 1970-71 are shown alongside the provisional outturn and for 1971-72 the estimated position before and after the 1971 Budget changes is shown.

\* A full description of the principles on which the national income accounts are based and of the methods used in their compilation is given in "National Accounts Statistics: Sources and Methods", H.M.S.O., 1968.

The 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 almost up to the end of the financial year. The revenue figures take account of the effect of the delay caused by the postal strike. Estimates of receipts delayed until 1971-72 are given in the note on page 19. 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

	1970-71		1971-72 Estimate	
	Budget estimate <sup>(1)</sup>	Provisional outturn	Before Budget changes	After Budget changes
<b>CURRENT RECEIPTS<sup>(2)</sup></b>				
Taxes on income ... ..	7,504	7,420	8,582	8,343
National insurance contributions, etc. ...	2,700	2,681	2,990	2,990
Taxes on expenditure, central government <sup>(3)</sup> ...	6,678	6,673	7,008	6,589
Local rates ... ..	1,854	1,855	2,135	2,135
Gross trading surplus <sup>(4)</sup> —				
Central government and local authorities ...	132	120	142	142
Public corporations ... ..	1,629	1,350	1,575	1,575
Rent <sup>(5)</sup> ... ..	1,141	1,171	1,304	1,304
Interest, dividends, etc. ... ..	312	286	323	323
<b>TOTAL ... ..</b>	<b>21,950</b>	<b>21,556</b>	<b>24,059</b>	<b>23,401</b>
<b>CAPITAL RECEIPTS<sup>(2)</sup></b>				
Current surplus <sup>(4)</sup> ... ..	5,293	4,610	5,101	4,568
Taxes on capital ... ..	854	635	677	662
Capital transfers ... ..	22	20	22	22
Receipts from certain pension "funds" (net) ...	52	66	66	66
Adjustment for accruals of—				
Taxes on expenditure ... ..	—40	—62	—20	—20
Subsidies ... ..	—	—	—	—
Import deposits ... ..	—417	—413	—115	—115
Miscellaneous capital transactions (net) <sup>(6)</sup> ...	—206	—254	—463	—458
Borrowing requirement (net balance) <sup>(6)</sup> —				
Central government <sup>(7)</sup> ... ..	—611	—43	140	683
Local authorities <sup>(8)</sup> ... ..	295	527	510	510
Public corporations <sup>(9)</sup> ... ..	55	129	13	13
Net borrowing by Northern Ireland central government ... ..	17	4	3	3
<b>Total ... ..</b>	<b>—244</b>	<b>617</b>	<b>666</b>	<b>1,209</b>
<b>TOTAL ... ..</b>	<b>5,314</b>	<b>5,219</b>	<b>5,934</b>	<b>5,934</b>

(<sup>1</sup>) Differences from the figures given in Table 5 of the Financial Statement and Budget Report 1970-71 (H.C. 214—14 April, 1970) reflect changes of classification.

(<sup>2</sup>) The effect of the delay caused by the postal strike on central government receipts is detailed in the note on page 19.

(<sup>3</sup>) Includes selective employment tax.

(<sup>4</sup>) Before allowing for depreciation and stock appreciation.

(<sup>5</sup>) Includes re-financeable export credits and unidentified items.

(<sup>6</sup>) Defined as in Financial Statistics.

(<sup>7</sup>) Includes borrowing of £8 million in 1970-71 and £72 million in 1971-72 to finance redemption of nationalised industries' stock.

(<sup>8</sup>) Borrowing other than from central government and public corporations.

(<sup>9</sup>) Includes redemption of stock.

## BY ECONOMIC CATEGORY

£ million

	1970-71		1971-72 Estimate	
	Budget estimate <sup>(1)</sup>	Provisional outturn	Before Budget changes	After Budget changes
<b>CURRENT EXPENDITURE</b>				
Current expenditure on goods and services—				
Central government ... ..	5,377	5,577	6,027	5,972
Local authorities ... ..	3,750	3,800	4,439	4,369
Subsidies—				
Central government ... ..	831	756	860	860
Local authorities ... ..	95	108	112	112
Debt interest ... ..	2,045	2,119	2,225	2,225
Current grants to personal sector—				
Central government ... ..	4,211	4,249	4,911	4,911
Local authorities ... ..	168	169	196	196
Current grants abroad ... ..	180	168	188	188
<b>Total current expenditure</b> ... ..	<b>16,657</b>	<b>16,946</b>	<b>18,958</b>	<b>18,833</b>
Current surplus <sup>(4)</sup> ... ..	5,293	4,610	5,101	4,568
<b>TOTAL ... ..</b>	<b>21,950</b>	<b>21,556</b>	<b>24,059</b>	<b>23,401</b>
<b>CAPITAL EXPENDITURE</b>				
Gross domestic fixed capital formation—				
Central government ... ..	610	602	679	679
Local authorities ... ..	1,790	1,838	2,077	2,077
Nationalised industries ... ..	1,542	1,526	1,736	1,736
Other public corporations ... ..	174	136	158	158
Increase in value of stocks—				
Central government ... ..	58	48	46	46
Nationalised industries ... ..	—29	—15	—8	—8
Capital grants to private sector ... ..	841	817	942	942
Net lending to private sector ... ..	170	118	212	212
Net lending to overseas governments ... ..	70	73	63	63
Drawings from United Kingdom subscriptions to international lending bodies ... ..	17	13	20	20
Other net lending and investment abroad ... ..	25	19	26	26
Cash expenditure on company securities (net) ...	46	44	—17	—17
<b>TOTAL ... ..</b>	<b>5,314</b>	<b>5,219</b>	<b>5,934</b>	<b>5,934</b>



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

£ million

Receipts positive/payments negative	1970-71 Provisional outturn				1971-72 Estimate after Budget changes			
	Central government	Local authorities	Public corporations <sup>(1)</sup>	Total	Central government	Local authorities	Public corporations <sup>(1)</sup>	Total
<b>A. RECEIPTS<sup>(2)</sup></b>								
Taxes on income ... ..	7,425	3	-8	7,420	8,347	5	-9	8,343
National insurance contributions, etc. ...	2,681	—	—	2,681	2,990	—	—	2,990
Taxes on expenditure ... ..	6,673	1,855 <sup>(3)</sup>	—	8,528	6,589	2,135 <sup>(3)</sup>	—	8,724
Gross trading surplus <sup>(4)</sup> ... ..	43	77	1,350	1,470	55	87	1,575	1,717
Rent <sup>(4)</sup> , interest and dividends, etc. ...	188	1,120	149	1,457	219	1,255	153	1,627
Taxes on capital and other capital transfers ... ..	635	—	20	655	662	—	22	684
Other financial transactions <sup>(5)</sup> ... ..	-599	30	-94	-663	-393	30	-164	-527
Borrowing by Northern Ireland central government ... ..	4	—	—	617	3	—	—	1,209
Borrowing requirement ... ..	-43	527	129	—	683	510	13	—
<b>TOTAL RECEIPTS</b> ... ..	<b>17,007</b>	<b>3,612</b>	<b>1,546</b>	<b>22,165</b>	<b>19,155</b>	<b>4,022</b>	<b>1,590</b>	<b>24,767</b>
<b>B. EXPENDITURE</b>								
Current expenditure on goods and services ... ..	-5,577	-3,800	—	-9,377	-5,972	-4,369	—	-10,341
Debt interest ... ..	-1,304	-710	-105	-2,119	-1,367	-750	-108	-2,225
Current grants to personal sector ... ..	-4,249	-169	—	-4,418	-4,911	-196	—	-5,107
Other current expenditure ... ..	-924	-108	—	-1,032	-1,048	-112	—	-1,160
Gross domestic fixed capital formation ...	-602	-1,838	-1,662	-4,102	-679	-2,077	-1,894	-4,650
Increase in value of stocks ... ..	-48	—	15	-33	-46	—	8	-38
Capital transfers ... ..	-789	-28	—	-817	-882	-60	—	-942
Lending, etc. ... ..	-141	-48	-78	-267	-139	-111	-54	-304
<b>TOTAL EXPENDITURE</b> ... ..	<b>-13,634</b>	<b>-6,701</b>	<b>-1,830</b>	<b>-22,165<sup>(6)</sup></b>	<b>-15,044</b>	<b>-7,675</b>	<b>-2,048</b>	<b>-24,767<sup>(7)</sup></b>
<b>C. TRANSACTIONS WITHIN PUBLIC SECTOR</b>								
Interest and dividends ... ..	1,067	-353	-714	—	1,243	-459	-784	—
Current grants ... ..	-2,580	2,580	—	—	-2,982	2,982	—	—
Capital grants ... ..	-223	170	53	—	-270	209	61	—
Net lending ... ..	-1,637	692	945	—	-2,102	921	1,181	—
<b>TOTAL</b> ... ..	<b>-3,373</b>	<b>3,089</b>	<b>284</b>	<b>—</b>	<b>-4,111</b>	<b>3,653</b>	<b>458</b>	<b>—</b>

(<sup>1</sup>) Excludes transactions on operating account, i.e., receipts from sales and subsidies, and payments for current goods and services.  
 (<sup>2</sup>) The effect of the delay caused by the postal strike on central government receipts is detailed in the note on page 19.

(<sup>3</sup>) Local rates.

(<sup>4</sup>) Before allowing for depreciation and stock appreciation.

(<sup>5</sup>) Includes unidentified items.

(<sup>6</sup>) The comparable figure in the January White Paper on Public Expenditure (Cmd. 4578), after including imputed rents, was £22,200 million.

(<sup>7</sup>) The comparable figure in the January White Paper on Public Expenditure (Cmd. 4578), after including imputed rents and adjustment to 1971-72 outturn prices, was £24,711 million.

TABLE 7. PUBLIC SECTOR FINANCIAL SURPLUS AND BORROWING

£ million

	1970-71		1971-72 Estimate	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
<b>TOTAL PUBLIC SECTOR<sup>(1)</sup></b>				
Saving <sup>(2)</sup> ... ..	5,293	4,610	5,101	4,568
Capital transfers (net) ... ..	35	-162	-243	-258
Less: Gross domestic fixed capital formation ...	-4,116	-4,102	-4,650	-4,650
Increase in value of stocks ... ..	-29	-33	-38	-38
<b>FINANCIAL SURPLUS/DEFICIT</b>	<b>1,183</b>	<b>313</b>	<b>170</b>	<b>-378</b>
<b>Financial transactions:</b>				
Increase (-) in assets, etc. <sup>(3)</sup> ... ..	-939	-930	-836	-831
Borrowing requirement ... ..	-244	617	666	1,209
<b>CENTRAL GOVERNMENT<sup>(1)</sup></b>				
Saving <sup>(2)</sup> ... ..	3,713	3,443	3,696	3,163
Capital transfers (net) ... ..	-180	-377	-475	-490
Less: Gross domestic fixed capital formation ...	-610	-602	-679	-679
Increase in value of stocks ... ..	-58	-48	-46	-46
<b>FINANCIAL SURPLUS</b>	<b>2,865</b>	<b>2,416</b>	<b>2,496</b>	<b>1,948</b>
<b>Financial transactions:</b>				
Net lending to local authorities and public corporations	-1,590	-1,637	-2,102	-2,102
Increase (-) in other assets, etc. <sup>(3)</sup> ... ..	-681	-740	-537	-532
Borrowing requirement <sup>(4)</sup> ... ..	-611	-43	140	683
Borrowing by Northern Ireland central government ...	17	4	3	3
<b>LOCAL AUTHORITIES</b>				
Saving <sup>(2)</sup> ... ..	625	495	578	578
Capital transfers (net) ... ..	138	142	149	149
Less: Gross domestic fixed capital formation ...	-1,790	-1,838	-2,077	-2,077
<b>FINANCIAL DEFICIT</b>	<b>-1,027</b>	<b>-1,201</b>	<b>-1,350</b>	<b>-1,350</b>
<b>Financial transactions:</b>				
Increase (-) in assets, etc. <sup>(3)</sup> ... ..	-34	-18	-81	-81
Borrowing within public sector ... ..	766	692	921	921
Borrowing from other sources ... ..	295	527	510	510
<b>PUBLIC CORPORATIONS</b>				
Saving <sup>(2)</sup> ... ..	955	672	827	827
Capital transfers (net) ... ..	77	73	83	83
Less: Gross domestic fixed capital formation ...	-1,716	-1,662	-1,894	-1,894
Increase in value of stocks ... ..	29	15	8	8
<b>FINANCIAL DEFICIT</b>	<b>-655</b>	<b>-902</b>	<b>-976</b>	<b>-976</b>
<b>Financial transactions:</b>				
Increase (-) in assets, etc. <sup>(3)</sup> ... ..	-224	-156	-228	-228
Borrowing from central government ... ..	824	929	1,191	1,191
Borrowing from other sources <sup>(6)</sup> ... ..	55	129	13	13

(<sup>1</sup>) The effect of the delay caused by the postal strike on central government receipts is detailed in the note on page 19.

(<sup>2</sup>) 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.

(<sup>3</sup>) Includes unidentified items.

(<sup>4</sup>) Includes borrowing of £8 million in 1970-71 and £72 million in 1971-72 to finance redemption of nationalised industries' stock.

(<sup>5</sup>) Includes lending to local authorities.

(<sup>6</sup>) Includes redemption of stock.

# **PART III** **CENTRAL GOVERNMENT TRANSACTIONS**

TABLE 8. SUMMARY OF CONSOLIDATED FUND RECEIPTS AND ISSUES

					£ million			
					1970-71		1971-72 Estimate	
					Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
<b>REVENUE (Table 9)</b>								
Taxation	...	...	...	...	15,582	15,313	17,178	16,217
Miscellaneous Receipts	...	...	...	...	542	528	545	545
<b>TOTAL</b>	...	...	...	...	16,124	15,841	17,723	16,762
<b>EXPENDITURE (Table 10)</b>								
Supply Services	...	...	...	...	12,933	13,450	14,289	13,871
Consolidated Fund Standing Services	...	...	...	...	593	634	575	575
<b>TOTAL</b>	...	...	...	...	13,526	14,084	14,864	14,446
<b>SURPLUS TRANSFERRED TO THE NATIONAL LOANS FUND (Table 11)</b>					<b>2,598</b>	<b>1,757</b>	<b>2,859</b>	<b>2,316</b>

Note: The effect of the delay caused by the postal strike on the receipts included in the provisional outturn for 1970-71 and in the estimates for 1971-72 is detailed in the note on page 19.

TABLE 9. TAXATION AND MISCELLANEOUS RECEIPTS

£ million

					1970-71		1971-72 Estimate	
					Budget estimate	Provisional outturn	Before Budget changes	After Budget changes
<b>TAXATION</b>								
<i>Inland Revenue—</i>								
Income Tax	...	...	...	...	5,653	5,725	6,675	6,491
Surtax	...	...	...	...	277	240	360	360
Corporation Tax	...	...	...	...	1,900*	1,600	1,675	1,620
Capital Gains Tax	...	...	...	...	150	140	170	165
Death Duties	...	...	...	...	371	360	385	375
Stamp Duties	...	...	...	...	119	115	110	108
Other	...	...	...	...	5	5	1	1
<b>Total Inland Revenue</b>	...	...	...	...	<b>8,475</b>	<b>8,185</b>	<b>9,376</b>	<b>9,120</b>
<i>Customs and Excise—</i>								
Purchase Tax	...	...	...	...	1,260	1,280	1,495	1,495
Oil	...	...	...	...	1,380	1,390	1,460	1,460
Tobacco	...	...	...	...	1,160	1,145	1,100	1,100
Spirits, Beer and Wine	...	...	...	...	905	930	1,000	1,000
Betting and Gaming	...	...	...	...	120	130	145	145
Other Revenue Duties	...	...	...	...	10	10	10	10
Protective Duties, etc.	...	...	...	...	225	255	265	265
Import Deposits	...	...	...	...	-425	-420	-116	-116
<b>Total Customs and Excise</b>	...	...	...	...	<b>4,635</b>	<b>4,720</b>	<b>5,359</b>	<b>5,359</b>
Motor Vehicle Duties	...	...	...	...	430	423	440	440
Selective Employment Tax (gross)†	...	...	...	...	2,042	1,985	2,003	1,298
<b>TOTAL TAXATION</b>	...	...	...	...	<b>15,582</b>	<b>15,313</b>	<b>17,178</b>	<b>16,217</b>
<b>MISCELLANEOUS RECEIPTS</b>								
Broadcasting Receiving Licences	...	...	...	...	102	101	120	120
Interest and Dividends	...	...	...	...	100	97	105	105
Other...	...	...	...	...	340	330	320	320
<b>Total</b>	...	...	...	...	<b>16,124</b>	<b>15,841</b>	<b>17,723</b>	<b>16,762</b>

\* The effect of the reduction in the rate of Corporation Tax announced on 27 October, 1970 was to reduce this estimate by £60 million.

† Net yield of selective employment tax from the private sector and public corporations (see note (3) on page 24) ... 588 501 509 219

Note: It is estimated that, as a result of the postal strike, the following receipts which should have accrued in 1970-71 will not be received until 1971-72:

					£ million
Inland Revenue	...	...	...	...	200
Customs and Excise	...	...	...	...	20
Motor Vehicle Duties	...	...	...	...	10
Selective Employment Tax	...	...	...	...	20
					<b>250</b>

The figures in the above table and in Tables 8 and 11, reflect these delays. In addition it is estimated that receipts of £10 million from National Insurance contributions will be similarly affected and the total of £260 million has been reflected in Tables 5-7 and 13-14.

TABLE 10. SUPPLY SERVICES AND CONSOLIDATED FUND  
STANDING SERVICES

	1970-71		1971-72 Estimate	
	Budget estimate*	Provisional outturn	Before Budget changes	After Budget changes
<b>Supply Services</b>				
<i>Civil Supply—</i>				
I. Government and Finance ...	195	216	216	
II. Commonwealth and Foreign ...	303	317	312	
III. Home and Justice ...	281	301	334	
IV. Trade and Industry and Employment ...	2,326	2,352	2,394	
V. Agriculture ...	430	422	441	
VI. Environmental Services ...	3,221	3,373	3,643	
VII. Social Services ...	3,012	3,187	3,388	
VIII. Education and Science ...	484	523	564	
IX. Museums, Galleries and the Arts ...	21	24	25	
X. Other Public Departments and Common Governmental Services ...	209	213	240	
XI. Miscellaneous ...	30	30	41	
Defence Purchasing (Repayment) Services ...	—	12	6	
<b>Total Civil Supply</b> ...	<b>10,512</b>	<b>10,970</b>	<b>11,604</b>	<b>11,604</b>
<i>Defence Budget—</i>				
XII. Defence ...	1,912	2,085	2,118	
Department of Trade and Industry ...	5	5	5	
Ministry of Aviation Supply ...	182	216	216	
Department of the Environment ...	181	174	206	
<b>Total Defence Budget</b> ...	<b>2,280</b>	<b>2,480</b>	<b>2,545</b>	<b>2,545</b>
Supplementary provision (net) ...	141	—	140†	—278†
<b>TOTAL SUPPLY SERVICES</b> ...	<b>12,933</b>	<b>13,450</b>	<b>14,289</b>	<b>13,871</b>
<b>CONSOLIDATED FUND STANDING SERVICES</b>				
Payment to the National Loans Fund in respect of service of the National Debt ...	288	327	225	225
Northern Ireland—share of reserved taxes, etc. ...	272	277	320	320
Other Services ...	33	30	30	30
<b>Total</b> ...	<b>13,526</b>	<b>14,084</b>	<b>14,864</b>	<b>14,446</b>

\* Differences from the figures in Table 10 of the Financial Statement and Budget Report, 1970-71 (H.C. 214—14 April, 1970) reflect changes of classification.

† This is the estimated change in Supply Votes in 1971-72 to take account of the following:

	£ million	£ million
<i>Increases—</i>		
<i>Social Security—</i>		
Additional provision for benefits ...	...	93
<i>Agricultural Price Review—</i>		
Net increase in the cost of agricultural support as determined by the Annual Review, 1971 (Cmd. 4623) ...	...	47
<i>Decreases—</i>		
<i>Selective Employment Tax—</i>		
Refunds to the private sector, public corporations and local authorities ...	...	367
Reduced tax payable in respect of public service employees ...	...	51
		418
		—278

TABLE 11. NATIONAL LOANS FUND  
Summary of Receipts and Payments

	Receipts		Payments			
					£ million	
	1970-71		1971-72 Estimate		1970-71	
	Budget estimate	Provisional outturn	Before Budget changes	After Budget changes	Budget estimate	Provisional outturn
<b>INTEREST, ETC.</b>						
Interest on loans, profits of the Issue Department of the Bank of England, etc. ...	1,135	1,130	1,345	1,345	1,385	1,419
Service of the National Debt—balance met from the Consolidated Fund ...	288	327	225	225	38	38
<b>TOTAL</b> ...	<b>1,423</b>	<b>1,457</b>	<b>1,570</b>	<b>1,570</b>	<b>1,423</b>	<b>1,457</b>
<b>CONSOLIDATED FUND SURPLUS</b>	<b>2,598</b>	<b>1,757</b>	<b>2,859</b>	<b>2,316</b>		
<b>BORROWING:</b>						
To finance issues for redemption of nationalised industries' stock	8	8	72	72	8†	8†
Other (net)§ ...	—1,062	—208	—879	—336	528	696
					186	151
					790	687
					—1	—10
					33	25
<b>TOTAL</b> ...	<b>1,544</b>	<b>1,557</b>	<b>2,052</b>	<b>2,052</b>	<b>1,544</b>	<b>1,557</b>
	<b>2,967</b>	<b>3,014</b>	<b>3,622</b>	<b>3,622</b>	<b>2,967</b>	<b>3,014</b>

\* Details in Table 12.

† See note \* on page 22.

‡ See note † on page 22.

§ Minus sign indicates a net repayment of debt.

Note: The effect of the delay caused by the postal strike on the receipts included in the provisional outturn for 1970-71 and in the estimates for 1971-72 is detailed in the note on page 19.

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

	1970-71		1971-72 Estimate
	Budget estimate	Provisional outturn	
£ million			
LOANS TO NATIONALISED INDUSTRIES:			
National Coal Board	-49	-31	32
Electricity Council and Boards	80	187	176
North of Scotland Hydro-Electric Board	18*	14*	8
South of Scotland Electricity Board	37	42	44
Gas Council and Boards	263	133	300†
British Steel Corporation	-22	43	289
Post Office	284	253	274
British Overseas Airways Corporation	-3	-17	—
British European Airways Corporation	35	41	37
British Airports Authority	4	15	5
British Railways Board	15	15	41
London Transport Board	-7	-7	11
British Transport Docks Board	1	—	1
British Waterways Board	—	—	—
Transport Holding Company	15	15	10
National Freight Corporation	1	2	4
National Bus Company	—	—	—
Scottish Transport Group	—	—	—
Less: Estimated shortfall on borrowing	-150	—	-250
TOTAL	536*	704*	982†
LOANS TO OTHER PUBLIC CORPORATIONS:			
New Towns—Development Corporations and Commission	119	105	125
Scottish Special Housing Association	17	14	14
Housing Corporation	10	8	13
Covent Garden Market Authority	2	3	5
Sugar Board	—	—	—
Industrial Reorganisation Corporation	38	21	—
TOTAL	186	151	157
LOANS TO LOCAL AND HARBOUR AUTHORITIES:			
Local Authorities	735	670	860
Harbour Authorities	55	17	25
TOTAL	790	687	885
LOANS TO PRIVATE SECTOR:			
Shipbuilding Industry Board	7	3	5
Ship Credit Scheme	-5	-10	-4
Housing Associations	—	—	—
Building Societies	-3	-3	-4
TOTAL	-1	-10	-3
LOANS WITHIN CENTRAL GOVERNMENT:			
Purchase of United States military aircraft	-10	-27	-34
Married quarters for armed forces	—	-1	—
Town and Country Planning compensation	-4	-3	-4
Redundancy Fund	-4	-4	—
Land Commission	12	3	—
Northern Ireland Exchequer	39	57	69
TOTAL	33	25	31
Total—Net Lending	1,544*	1,557*	2,052†

\* Includes advances to repay £8 million of 3 per cent North of Scotland Guaranteed Stock 1968-70.

† Includes advances to repay £72 million of 3½ per cent British Gas Guaranteed Stock 1969-71.

Further details of these items are contained in the White Paper on Loans from the National Loans Fund (Cmd. 4635).

TABLE 13. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY<sup>(1)</sup>

£ million

	1970-71		1971-72 Estimate	
	Budget estimate <sup>(2)</sup>	Provisional outturn	Before Budget changes	After Budget changes
<b>CURRENT RECEIPTS<sup>(3)</sup></b>				
Taxes on income ... ..	7,510	7,425	8,586	8,347
National insurance contributions ... ..	2,425	2,408	2,704	2,704
National health contributions ... ..	223	221	234	234
Redundancy fund contributions ... ..	52	52	52	52
Taxes on expenditure <sup>(4)</sup> ... ..	6,678	6,673	7,008	6,589
Gross trading surplus <sup>(5)</sup> ... ..	54	43	55	55
Rent <sup>(6)</sup> ... ..	97	107	111	111
Interest and dividends from—				
Local authorities ... ..	344	353	459	459
Public corporations ... ..	689	714	784	784
Other ... ..	121	81	108	108
<b>TOTAL</b> ... ..	<b>18,193</b>	<b>18,077</b>	<b>20,101</b>	<b>19,443</b>
<b>CAPITAL RECEIPTS<sup>(3)</sup></b>				
Current surplus <sup>(7)</sup> ... ..	3,713	3,443	3,696	3,163
Taxes on capital ... ..	854	635	677	662
Receipts from certain pension funds <sup>(8)</sup> ... ..	52	66	66	66
Adjustments for accruals of—				
Taxes on expenditure ... ..	-40	-62	-20	-20
Subsidies ... ..	-	-	-115	-115
Import deposits ... ..	-422	-416	-329	-324
Miscellaneous capital transactions (net) <sup>(9)</sup> ... ..	-152	-187	-	-
Net borrowing by Northern Ireland central government ... ..	17	4	3	3
Borrowing requirement (net balance) <sup>(7)</sup> —				
Redemption of nationalised industries' stock ... ..	8	8	72	72
Other ... ..	-619	-51	68	611
<b>Total borrowing requirement</b> ... ..	<b>-611</b>	<b>-43</b>	<b>140</b>	<b>683</b>
<b>TOTAL</b> ... ..	<b>3,411</b>	<b>3,440</b>	<b>4,118</b>	<b>4,118</b>
<b>CURRENT EXPENDITURE</b>				
Current expenditure on goods and services ... ..	5,377	5,577	6,027	5,972
Subsidies ... ..	831	756	860	860
Debt interest ... ..	1,279	1,304	1,367	1,367
Current grants to—				
Local authorities ... ..	2,602	2,580	3,052	2,982
Personal sector ... ..	4,211	4,249	4,911	4,911
Abroad ... ..	180	168	188	188
<b>Total current expenditure</b> ... ..	<b>14,480</b>	<b>14,634</b>	<b>16,405</b>	<b>16,280</b>
<b>Current surplus<sup>(4)</sup></b> ... ..	<b>3,713</b>	<b>3,443</b>	<b>3,696</b>	<b>3,163</b>
<b>TOTAL</b> ... ..	<b>18,193</b>	<b>18,077</b>	<b>20,101</b>	<b>19,443</b>
<b>CAPITAL EXPENDITURE</b>				
Gross domestic fixed capital formation ... ..	610	602	679	679
Increase in value of stocks ... ..	58	48	46	46
Capital grants to—				
Local authorities ... ..	167	170	209	209
Public corporations ... ..	55	53	61	61
Private sector ... ..	812	789	882	882
Net lending to—				
Local authorities ... ..	766	708	911	911
Public corporations—				
Redemption of nationalised industries' stock ... ..	8	8	72	72
Other ... ..	816	921	1,119	1,119
Private sector ... ..	30	24	76	76
Net lending to overseas governments ... ..	70	73	63	63
Drawings from United Kingdom subscriptions to international lending bodies ... ..	17	13	20	20
Other net lending and investment abroad ... ..	-	-1	3	3
Cash expenditure on company securities (net) ... ..	2	32	-23	-23
<b>TOTAL</b> ... ..	<b>3,411</b>	<b>3,440</b>	<b>4,118</b>	<b>4,118</b>

<sup>(1)</sup> All the figures are measured at outturn or estimated outturn prices.

<sup>(2)</sup> Differences from the figures given in Table 13 of the Financial Statement and Budget Report 1970-71 (H.C. 214—14 April, 1970) reflect changes of classification.

<sup>(3)</sup> The effect of the delay caused by the postal strike is detailed in the note on page 19.

<sup>(4)</sup> Includes selective employment tax—see Table 14.

<sup>(5)</sup> Before allowing for depreciation and stock appreciation.

<sup>(6)</sup> Includes re-financeable export credits and unidentified items.

<sup>(7)</sup> Details of outturn by type of liability are not yet available, but will be published in Financial Statistics as soon as possible.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

Analysis and reconciliation by fund—1970-71 provisional outturn

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts <sup>(1)</sup>	Total central government
	Taxation and other receipts	Supply services	Standing services and surplus	Receipts	Payments		
<b>A. RECEIPTS<sup>(2)</sup></b>							
(i) Items entering into public sector receipts (see Table 6)							
Taxes on income	7,464	-39	—	—	—	—	7,425
National insurance contributions, etc.	—	214	—	—	—	2,467	2,681
Taxes on expenditure: Selective employment tax	1,985	-1,191	—	—	—	34	828 <sup>(3)</sup>
Other	5,715	50	—	—	—	80	5,845
Other current receipts	73	92	—	7	—	59	231
Taxes on capital and other capital transactions (net)	215	51	—	—	—	-226	40
Borrowing requirement (net balance) <sup>(4)</sup>	—	48	—	-200	—	109	-43
<b>TOTAL</b>	<b>15,452</b>	<b>-775</b>	<b>—</b>	<b>-193</b>	<b>—</b>	<b>2,523</b>	<b>17,007</b>
(ii) Interest and dividends received from local authorities and public corporations	27	—	—	992	—	48	1,067
<b>TOTAL RECEIPTS</b>	<b>15,479</b>	<b>-775</b>	<b>—</b>	<b>799</b>	<b>—</b>	<b>2,571</b>	<b>18,074<sup>(5)</sup></b>
<b>B. EXPENDITURE</b>							
(i) Items entering into public sector expenditure (see Table 6)							
Current expenditure on goods and services	14	-5,360	-7	—	-3	-221	-5,577
Debt interest	—	-35	—	—	-1,145	-124	-1,304
Current grants to personal sector	—	-1,415	-16	—	—	-2,818	-4,249
Other current expenditure	—	-888	—	—	—	-36	-924
Gross domestic fixed capital formation	5	-572	—	—	—	-35	-602
Other capital expenditure	54	-988	-3	—	10	-51	-978
<b>TOTAL</b>	<b>73</b>	<b>-9,258</b>	<b>-26</b>	<b>—</b>	<b>-1,138</b>	<b>-3,285</b>	<b>-13,634</b>
(ii) Grants and net lending to local authorities and public corporations	4	-2,752	—	—	-1,542	-150	-4,440
<b>TOTAL EXPENDITURE</b>	<b>77</b>	<b>-12,010</b>	<b>-26</b>	<b>—</b>	<b>-2,680</b>	<b>-3,435</b>	<b>-18,074<sup>(6)</sup></b>
<b>C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT</b>							
Grant to National Insurance Funds	—	-422	—	—	—	422	—
Northern Ireland central government: transfers and loans	—	-2	-277	—	-57	336	—
Purchase of United States military aircraft	—	-27	—	—	27	—	—
Other loans and advances	—	-4	-4	—	5	3	—
Debt interest (including profits of Issue Department)	18	-21	-327	458	-309	181	—
B.B.C. licence revenue	101	-101	—	—	—	—	—
Surplus receipts for surrender, etc.	166	-88	—	—	—	-78	—
Surplus on Consolidated Fund	—	—	-1,757	1,757	—	—	—
<b>TOTAL INTERNAL TRANSACTIONS</b>	<b>285</b>	<b>-665</b>	<b>-2,365</b>	<b>2,215</b>	<b>-334</b>	<b>864</b>	<b>—</b>
<b>Grand Total (A, B and C)</b>	<b>15,841<sup>(7)</sup></b>	<b>-13,450<sup>(8)</sup></b>	<b>-2,391<sup>(9)</sup></b>	<b>3,014<sup>(7)</sup></b>	<b>-3,014<sup>(7)</sup></b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> Includes National Insurance Funds and the Northern Ireland central government: also includes receipts of and expenditure on imputed rent and sundry adjustments (timing, etc.).<sup>(2)</sup> The effect of the delay caused by the postal strike is detailed in the note on page 19.<sup>(3)</sup> 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.<sup>(4)</sup> 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, changes in departmental balances invested in government debt, etc.<sup>(5)</sup> As included within Table 13.<sup>(6)</sup> As included in Table 8.<sup>(7)</sup> As included in Table 11.

TABLE 14. CENTRAL GOVERNMENT TRANSACTIONS BY ECONOMIC CATEGORY

Analysis and reconciliation by fund—1971-72 estimate after Budget changes

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts <sup>(1)</sup>	Total central government
	Taxation and other receipts	Supply services	Standing services and surplus	Receipts	Payments		
<b>A. RECEIPTS<sup>(2)</sup></b>							
(i) Items entering into public sector receipts (see Table 6)							
Taxes on income	8,369	-22	—	—	—	—	8,347
National insurance contributions, etc.	—	228	—	—	—	2,762	2,990
Taxes on expenditure: Selective employment tax	1,298	-884	—	—	—	12	426 <sup>(3)</sup>
Other	6,060	66	—	—	—	37	6,163
Other current receipts	90	106	—	8	—	70	274
Taxes on capital and other capital transactions (net)	569	64	—	—	—	-361	272
Borrowing requirement (net balance) <sup>(4)</sup>	—	—	—	-264	—	947	683
<b>TOTAL</b>	<b>16,386</b>	<b>-442</b>	<b>—</b>	<b>-256</b>	<b>—</b>	<b>3,467</b>	<b>19,155</b>
(ii) Interest and dividends received from local authorities and public corporations	29	—	—	1,154	—	60	1,243
<b>TOTAL RECEIPTS</b>	<b>16,415</b>	<b>-442</b>	<b>—</b>	<b>898</b>	<b>—</b>	<b>3,527</b>	<b>20,398<sup>(5)</sup></b>
<b>B. EXPENDITURE</b>							
(i) Items entering into public sector expenditure (see Table 6)							
Current expenditure on goods and services	14	-5,486	-6	—	-8	-486	-5,972
Debt interest	—	-34	—	—	-1,233	-100	-1,367
Current grants to personal sector	—	-1,560	-17	—	—	-3,334	-4,911
Other current expenditure	—	-995	—	—	—	-53	-1,048
Gross domestic fixed capital formation	11	-613	—	—	—	-77	-679
Other capital expenditure	65	-1,010	-3	—	3	-122	-1,067
<b>TOTAL</b>	<b>90</b>	<b>-9,698</b>	<b>-26</b>	<b>—</b>	<b>-1,238</b>	<b>-4,172</b>	<b>-15,044</b>
(ii) Grants and net lending to local authorities and public corporations	11	-2,914	—	—	-2,024	-427	-5,354
<b>TOTAL EXPENDITURE</b>	<b>101</b>	<b>-12,612</b>	<b>-26</b>	<b>—</b>	<b>-3,262</b>	<b>-4,599</b>	<b>-20,398<sup>(6)</sup></b>
<b>C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT</b>							
Grant to National Insurance Funds	—	-509	—	—	—	509	—
Northern Ireland central government: transfers and loans	—	-2	-320	—	-69	391	—
Purchase of United States military aircraft	—	-34	—	—	34	—	—
Other loans and advances	—	-4	-4	—	4	4	—
Debt interest (including profits of Issue Department)	15	-17	-225	408	-329	148	—
B.B.C. licence revenue	120	-120	—	—	—	—	—
Surplus receipts for surrender, etc.	111	-131	—	—	—	20	—
Surplus on Consolidated Fund	—	—	-2,316	2,316	—	—	—
<b>TOTAL INTERNAL TRANSACTIONS</b>	<b>246</b>	<b>-817</b>	<b>-2,865</b>	<b>2,724</b>	<b>-360</b>	<b>1,072</b>	<b>—</b>
<b>Grand Total (A, B and C)</b>	<b>16,762<sup>(7)</sup></b>	<b>-13,871<sup>(8)</sup></b>	<b>-2,891<sup>(9)</sup></b>	<b>3,622<sup>(7)</sup></b>	<b>-3,622<sup>(7)</sup></b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> 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).<sup>(2)</sup> The effect of the delay caused by the postal strike is detailed in the note on page 19.<sup>(3)</sup> 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.<sup>(4)</sup> 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, changes in departmental balances invested in government debt, etc.<sup>(5)</sup> As included within Table 13.<sup>(6)</sup> As included in Table 8.<sup>(7)</sup> As included in Table 11.

# ANNEX

TABLE 15. PROPOSED CHANGES IN TAXATION

## INLAND REVENUE

### Income tax

It is proposed to increase the child allowances by £40 from their present levels of £115 for each child not over 11, £140 for each child over 11 but not over 16, and £165 for each child over 16 to £155, £180, and £205 respectively.

It is proposed to increase the earned income relief on earned income over £4,005 to 15 per cent of the excess over £4,005, without limit, instead of, as at present, one-ninth on the slice between £4,005 and £9,945.

It is proposed to raise the income limits for age exemption for persons aged 65 and over from £475 for single persons and £740 for married couples to £504 and £786 respectively for 1971-72 and to £530 and £825 for 1972-73.

It is proposed to raise the income limit for the dependent relative allowance so that the full allowance will be given where the relative's income does not exceed £289 for 1971-72 and £312 for 1972-73 instead of the present limit of £260.

It is proposed to raise the income limit for age relief for married couples aged 65 or over (whereby relief from tax is given on two-ninths of the total income instead of two-ninths of the earned income only) from £1,000 to £1,200.

It is proposed with effect from 1972-73 to allow a married couple to elect that the wife shall be taxed as a single person on her earnings on condition that the husband receives single allowance and not married allowance against the rest of their joint income.

It is proposed with effect from 1972-73 to repeal the provisions whereby a child's investment income is, in general, aggregated with its parents' income for tax purposes.

It is proposed to amend the provisions of the Finance Act 1970 relating to the tax treatment of occupational pension schemes and to defer until 1980 the date by which existing schemes are required to conform to the new rules. From 6 April, 1973, approval under the Finance Act 1970 will be mandatory for new schemes and alterations to existing schemes.

It is proposed to increase the limit on premiums qualifying for relief under approved retirement annuity contracts for the self-employed and employees outside pensionable employment from 10 per cent of earnings, subject to a maximum of £750 a year, to 15 per cent of earnings subject to a maximum of £1,500 a year, and to permit a right of partial commutation of the annuities.

It is proposed that with effect from 6 April, 1972, a scheme be introduced to collect tax by deduction from payments made to certain sub-contractors in the construction industry.

### Close companies

It is proposed to increase the limit below which the estate or trading income of trading companies is disregarded for shortfall from £1,500 to £5,000 and the limit at which abatement runs out from £9,000 to £15,000.

It is proposed to increase the limit below which investment income is disregarded for shortfall so that it becomes £500 or 10 per cent of the estate or trading income, whichever is the less.

It is proposed to amend the law to give certain other reliefs to close companies.

### Corporation tax

It is proposed to reduce the rate by 2½ per cent to 40 per cent for the financial year beginning 1 April, 1970.

### Income tax and corporation tax

It is proposed, for plant and machinery on which capital expenditure is incurred on or after 27 October, 1970,

- to introduce first-year allowances at the rate of 100 per cent on immobile industrial plant and machinery for use in development areas and in Northern Ireland, and at the rate of 60 per cent on most other plant and machinery, and
- to introduce a uniform rate of writing-down allowance at 25 per cent on the reducing-balance basis.

It is proposed, for plant and machinery on which capital expenditure was incurred before 6 November, 1962, to increase the rates of writing-down allowance to what they would have been had the expenditure been incurred on that day.

It is proposed to increase to 100 per cent the rate of initial allowance for capital expenditure incurred on or after 27 October, 1970, on mining works in development areas and in Northern Ireland.

TABLE 15. PROPOSED CHANGES IN TAXATION—continued

## INLAND REVENUE—continued

It is proposed, for industrial buildings in development and intermediate areas and in Northern Ireland, to continue without time limit the initial allowance at the rate of 40 per cent which at present applies to capital expenditure on such buildings if incurred before 6 April, 1972.

### Capital gains

It is proposed to exempt an individual's gains from the disposal of assets where the total proceeds of all disposals made in the year do not exceed £500. The exemption will apply for 1970-71 and subsequent years; for years after 1970-71 it will replace the present exemption for gains of £50 or less.

It is proposed to abolish the charge to tax on death, including the death of a life tenant, for deaths after 30 March, 1971, and the associated 15-year charge on trusts where there is no life interest in possession.

### Income tax and capital gains

It is proposed to abolish the income tax charge (Case VII) on short-term gains. For 1971-72 and subsequent years these gains will be charged to capital gains tax.

### Estate duty

It is proposed to raise the exemption limit for estate duty for deaths occurring after 30 March, 1971, from £10,000 to £12,500.

It is proposed to allow estate duty to be paid in 8 yearly or 16 half-yearly instalments so far as it relates to the value of unincorporated businesses, non-quoted shares valued on the "assets basis" under Section 55, Finance Act 1940, and leasehold property. This will apply on deaths occurring after 30 March, 1971.

### Stamp duty

It is proposed to abolish the stamp duty on mortgages and deeds of covenant with effect from 1 August, 1971.

## CUSTOMS AND EXCISE

### Hydrocarbon oil

It is proposed that the Treasury should be enabled by Order to impose an excise duty on gas for use as road fuel.

### Purchase tax

It is proposed to amend Section 23 of the Purchase Tax Act 1963 so as to allow conditionally the remission of purchase tax on imported mechanically propelled vehicles acquired by United Kingdom residents who are about to become resident outside the United Kingdom.

### Bingo

It is proposed that with effect from 13 April, 1971, the charge to bingo duty shall no longer exclude versions of bingo whose rules permit a player to withdraw any part of his initial stake after the game has begun.

### Surcharges and rebates in respect of revenue duties and purchase tax

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 and the purchase tax.

## MOTOR VEHICLE DUTIES

It is proposed to correct a flaw in the legislation under which the concessional rate of vehicle excise duty for "agricultural machines" can be claimed in respect of certain goods-carrying vehicles. The change will apply to licences taken out from 1 September, 1971, and from that date the vehicles concerned will lose their entitlement to use rebated heavy hydrocarbon oil as fuel.

## SELECTIVE EMPLOYMENT TAX

It is proposed to reduce the rates of Selective Employment Tax payable with effect from 5 July, 1971.

The weekly rates from that date will be:

	£		£
Men ... ..	1.20	Boys under 18 ... ..	0.60
Women ... ..	0.60	Girls under 18 ... ..	0.40

TABLE 16. ESTIMATED EFFECTS OF CHANGES IN TAXATION

£ million

	Estimate for 1971-72	Estimate for a full year
<b>INLAND REVENUE</b>		
<i>Income tax—</i>		
Increase of child allowances by £40 ... ..	-163	-207
Increase of earned income relief fraction to 15 per cent for all earned income over £4,005 ... ..	-16	-38
Increase in income limit for age relief for married couples to £1,200 ... ..	-1	-2
Option for separate taxation of wife's earnings ... ..	Nil	-12
Improvement of retirement annuity relief for the self-employed, etc. ... ..	-1	-9
Disaggregation of child's investment income from parents' income ... ..	Nil	-15
Deduction of tax from building sub-contractors ... ..	Nil	+8
Increase of limits below which income of close companies is disregarded for shortfall ... ..	-2	-3
Other reliefs for close companies ... ..	-1½	-1
<i>Corporation tax—</i>		
Reduction of 2½ per cent in rate ... ..	-55	-105
<i>Capital gains tax—</i>		
Exemption of gains where total annual disposals do not exceed £500 ... ..	-½	-3
Abolition of the charge on death, etc. ... ..	Negligible (a)	-15(a)
<i>Income tax and capital gains—</i>		
Abolition of the short-term gains tax ... ..	Nil	-1½(b)
<i>Estate duty—</i>		
Increase of exemption limit to £12,500 ... ..	-10	-20
Payment of duty by instalments on		
(i) unincorporated businesses and shares valued on an assets basis... ..	-3½	(c)
(ii) leaseholds ... ..	-1	(d)
<i>Stamp duties—</i>		
Abolition of duty on mortgages, etc. ... ..	-2	-3½
<b>TOTAL INLAND REVENUE</b> ... ..	<b>-256½</b>	<b>...</b>
<b>CUSTOMS AND EXCISE</b>		
Hydrocarbon oil ... ..	Negligible	Negligible
Purchase tax ... ..	Nil	Nil
Bingo ... ..	Negligible	Negligible
Consequence of amendment to motor vehicle duties ... ..	+½	+½
<b>TOTAL CUSTOMS AND EXCISE</b> ... ..	<b>+½</b>	<b>+½</b>
<b>MOTOR VEHICLE DUTIES</b>		
Amendment of agricultural duty provisions ... ..	Negligible	Negligible
<b>SELECTIVE EMPLOYMENT TAX</b>		
Gross yield ... ..	-708	-998
Refunds, etc. ... ..	+418(e)	+753
Net yield ... ..	-290	-245
<b>Total</b> ... ..	<b>-546</b>	<b>...</b>

(a) For 1971-72 the figure is the net result of a cost of £5 million capital gains tax and a yield of £5 million estate duty; the corresponding figures for the full year are £30 million and £15 million respectively.

(b) This is the net effect of an income tax cost of £3 million offset by a yield of £1½ million capital gains tax.

(c) The total cost spread over several years will amount to £25 million.

(d) The total cost spread over several years will amount to £8 million.

(e) These refunds are borne on Supply Votes—see footnote on page 20.

TABLE 17. INCOME TAX AND SURTAX

## Amount of tax and effective rate of tax for each pound of income for specimen earned incomes

The tables show the tax payable for 1970-71 and 1971-72, 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.

In the case of a married couple the earned income is assumed to be the husband's. The income includes family allowances where appropriate and the "claw-back" has also been taken into account. For 1971-72 it is assumed that the rates of surtax will remain unchanged.

## SINGLE PERSONS—INCOME ALL EARNED

Income	Charge for 1970-71		Proposed charge for 1971-72	
	Income tax (and Surtax, if any)	Effective rate	Income tax (and Surtax, if any)	Effective rate
£	£	Per cent	£	Per cent
500 ... ..	26.35	5.3	24.75	5.0
600 ... ..	58.43	9.7	54.89	9.1
700 ... ..	90.52	12.9	85.03	12.1
800 ... ..	122.60	15.3	115.17	14.4
900 ... ..	154.68	17.2	145.31	16.1
1,000 ... ..	186.77	18.7	175.45	17.5
1,100 ... ..	218.85	19.9	205.59	18.7
1,200 ... ..	250.93	20.9	235.72	19.6
1,300 ... ..	283.02	21.8	265.86	20.5
1,400 ... ..	315.10	22.5	296.00	21.1
1,500 ... ..	347.18	23.1	326.14	21.7
1,600 ... ..	379.27	23.7	356.28	22.3
1,700 ... ..	411.35	24.2	386.42	22.7
1,800 ... ..	443.43	24.6	416.56	23.1
1,900 ... ..	475.52	25.0	446.70	23.5
2,000 ... ..	507.60	25.4	476.84	23.8
2,500 ... ..	668.02	26.7	627.53	25.1
3,000 ... ..	828.43	27.6	778.22	25.9
4,000 ... ..	1,149.27	28.7	1,079.61	27.0
5,000 ... ..	1,515.70	30.3	1,408.85	28.2
6,000 ... ..	1,980.91	33.0	1,827.07	30.5
8,000 ... ..	3,053.08	38.2	2,799.39	35.0
10,000 ... ..	4,285.31	42.9	3,911.72	39.1
15,000 ... ..	8,217.81	54.8	7,085.92	47.2
20,000 ... ..	12,664.06	63.3	10,674.58	53.4
30,000 ... ..	21,789.06	72.6	18,211.10	60.7
50,000 ... ..	40,039.06	80.1	33,298.60	66.6
100,000 ... ..	85,664.06	85.7	71,017.35	71.0

TABLE 17. INCOME TAX AND SURTAX—continued

Amount of tax and effective rate of tax for each pound of income for specimen earned incomes

## MARRIED COUPLES—INCOME ALL EARNED

Income	Charge for 1970-71		Proposed charge for 1971-72	
	Income tax (and Surtax, if any)	Effective rate	Income tax (and Surtax, if any)	Effective rate
£	£	Per cent	£	Per cent
600 ... ..	0·68	0·1	0·64	0·1
700 ... ..	32·77	4·7	30·78	4·4
800 ... ..	64·85	8·1	60·92	7·6
900 ... ..	96·93	10·8	91·06	10·1
1,000 ... ..	129·02	12·9	121·20	12·1
1,100 ... ..	161·10	14·6	151·34	13·8
1,200 ... ..	193·18	16·1	181·47	14·0
1,300 ... ..	225·27	17·3	211·61	16·3
1,400 ... ..	257·35	18·4	241·75	17·3
1,500 ... ..	289·43	19·3	271·89	18·1
1,600 ... ..	321·52	20·1	302·03	18·9
1,700 ... ..	353·60	20·8	332·17	19·5
1,800 ... ..	385·68	21·4	362·31	20·1
1,900 ... ..	417·77	22·0	392·45	20·7
2,000 ... ..	449·85	22·5	422·59	21·1
2,500 ... ..	610·27	24·4	573·28	22·9
3,000 ... ..	770·68	25·7	723·97	24·1
4,000 ... ..	1,091·52	27·3	1,025·36	25·6
5,000 ... ..	1,457·95	29·2	1,354·60	27·1
6,000 ... ..	1,905·66	31·8	1,752·27	29·2
8,000 ... ..	2,963·83	37·0	2,713·64	33·9
10,000 ... ..	4,182·06	41·8	3,811·97	38·1
15,000 ... ..	8,100·56	54·0	6,972·17	46·5
20,000 ... ..	12,536·31	62·7	10,553·83	52·8
30,000 ... ..	21,661·31	72·2	18,086·85	60·3
50,000 ... ..	39,911·31	79·8	33,174·35	66·3
100,000 ... ..	85,536·31	85·5	70,893·10	70·9

TABLE 17. INCOME TAX AND SURTAX—continued

Amount of tax and effective rate of tax for each pound of income for specimen earned incomes

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

Income	Charge for 1970-71		Proposed charge for 1971-72	
	Income tax (and Surtax, if any)	Effective rate	Income tax (and Surtax, if any)	Effective rate
£	£	Per cent	£	Per cent
900 ... ..	19·38	2·2	—	—
1,000 ... ..	51·47	5·1	17·35	1·7
1,100 ... ..	83·55	7·6	47·49	4·3
1,200 ... ..	115·63	9·6	77·62	6·5
1,300 ... ..	147·72	11·4	107·76	8·3
1,400 ... ..	179·80	12·8	137·90	9·9
1,500 ... ..	211·88	14·1	168·04	11·2
1,600 ... ..	243·97	15·2	198·18	12·4
1,700 ... ..	276·05	16·2	228·32	13·4
1,800 ... ..	308·13	17·1	258·46	14·4
1,900 ... ..	340·22	17·9	288·60	15·2
2,000 ... ..	372·30	18·6	318·74	15·9
2,500 ... ..	532·72	21·3	469·43	18·8
3,000 ... ..	693·13	23·1	620·12	20·7
4,000 ... ..	1,013·97	25·3	921·51	23·0
5,000 ... ..	1,380·40	27·6	1,250·75	25·0
6,000 ... ..	1,754·40	29·2	1,580·12	26·3
8,000 ... ..	2,834·53	35·4	2,540·04	31·8
10,000 ... ..	4,029·76	40·3	3,619·33	36·2
15,000 ... ..	7,925·26	52·8	6,736·57	44·9
20,000 ... ..	12,343·76	61·7	10,302·73	51·5
30,000 ... ..	21,468·76	71·6	17,828·00	59·4
50,000 ... ..	39,718·76	79·4	32,915·50	65·8
100,000 ... ..	85,343·76	85·3	70,634·25	70·6



TABLE 18. INCOME TAX

Amount of tax and effective rate of tax for each pound of income for specimen earned incomes

MARRIED COUPLES WITH CHILDREN NOT OVER 11—INCOME UP TO £40 A WEEK—ALL EARNED

Income	Charge for 1970-71		Proposed charge for 1971-72	
	Income tax	Effective rate	Income tax	Effective rate
£	£	Per cent	£	Per cent
<b>Married couples, with one child not over 11</b>				
780 (£15 a week) ...	11.00	1.4	—	—
832 (£16 a week) ...	27.68	3.3	10.50	1.3
936 (£18 a week) ...	61.05	6.5	41.85	4.5
1,040 (£20 a week) ...	94.41	9.1	73.19	7.0
1,144 (£22 a week) ...	127.78	11.2	104.53	9.1
1,248 (£24 a week) ...	161.15	12.9	135.88	10.9
1,352 (£26 a week) ...	194.51	14.4	167.22	12.4
1,456 (£28 a week) ...	227.88	15.7	198.57	13.6
1,560 (£30 a week) ...	261.25	16.7	229.91	14.7
1,820 (£35 a week) ...	344.66	18.9	308.27	16.9
2,080 (£40 a week) ...	428.08	20.6	386.63	18.6
<b>Married couples, with two children not over 11</b>				
884 (£17 a week) ...	14.25	1.6	—	—
936 (£18 a week) ...	30.93	3.3	—	—
1,040 (£20 a week) ...	64.30	6.2	29.40	2.8
1,144 (£22 a week) ...	97.67	8.5	60.75	5.3
1,248 (£24 a week) ...	131.03	10.5	92.09	7.4
1,352 (£26 a week) ...	164.40	12.2	123.44	9.1
1,456 (£28 a week) ...	197.77	13.6	154.78	10.6
1,560 (£30 a week) ...	231.13	14.8	186.12	11.9
1,820 (£35 a week) ...	314.55	17.3	264.49	14.5
2,080 (£40 a week) ...	397.97	19.1	342.85	16.5
<b>Married couples, with three children not over 11</b>				
936 (£18 a week) ...	0.82	0.1	—	—
1,040 (£20 a week) ...	34.19	3.3	—	—
1,144 (£22 a week) ...	67.55	5.9	16.96	1.5
1,248 (£24 a week) ...	100.92	8.1	48.30	3.9
1,352 (£26 a week) ...	134.29	9.9	79.65	5.9
1,456 (£28 a week) ...	167.65	11.5	110.99	7.6
1,560 (£30 a week) ...	201.02	12.9	142.34	9.1
1,820 (£35 a week) ...	284.44	15.6	220.70	12.1
2,080 (£40 a week) ...	367.85	17.7	299.06	14.4
<b>Married couples, with four children not over 11</b>				
1,040 (£20 a week) ...	4.07	0.4	—	—
1,144 (£22 a week) ...	37.44	3.3	—	—
1,248 (£24 a week) ...	70.81	5.7	4.52	0.4
1,352 (£26 a week) ...	104.17	7.7	35.86	2.7
1,456 (£28 a week) ...	137.54	9.4	67.20	4.6
1,560 (£30 a week) ...	170.91	11.0	98.55	6.3
1,820 (£35 a week) ...	254.32	14.0	176.91	9.7
2,080 (£40 a week) ...	337.74	16.2	255.27	12.3

# Financial Statement and Budget Report 1972-73

RETURN to an Order of The House of Commons dated 21 March 1972: for

COPY of FINANCIAL STATEMENT AND BUDGET REPORT 1972-73 as laid before the House by the CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

Treasury Chambers,  
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21 March, 1972LONDON  
HER MAJESTY'S STATIONERY OFFICE  
52p net