

Allocation of taxes on expenditure and subsidies by type of expenditure for the national accounts

Introduction

In the national accounts of the United Kingdom, the gross domestic product is usually expressed *at factor cost* whilst the components of final expenditure are shown *at market prices*, the way in which these statistics are naturally compiled. The difference between these two valuations is equal to taxes on expenditure less subsidies and is generally made as a single aggregate adjustment. However, the impact of taxes and subsidies on different types of spending is clearly an important consideration in many fields of economic and social analysis. For this reason an attempt is made to allocate the taxes on expenditure and subsidies, on a calendar year basis, among the various forms of final expenditure, using approximations and somewhat arbitrary assumptions where necessary. The taxes and subsidies allocated to each category of final expenditure and to each item of consumers' expenditure are shown in Tables 46 and 25 respectively of *National Income and Expenditure 1970* (the National Income Blue Book); the resulting estimates of the main categories of final expenditure at factor cost are given in Table 12. A brief description of the method of allocation is given in *National Accounts Statistics: Sources and Methods* (HMSO 1968), on pages 117-19 and 327. The purpose of this article is to describe more fully how the estimates are derived, with the accent on the way each type of tax and subsidy is allocated. The tables in the Appendix show the detailed composition of the estimates which in the Blue Book tables are shown only for total taxes on expenditure and total subsidies.

The gross domestic product of the United Kingdom is defined as the total value of the goods and services produced by United Kingdom residents. Considered from the point of view of purchasers, the various forms of goods and services produced are most appropriately valued at the prices which purchasers actually pay, the import content being deducted as a single total from the sum of all forms of final expenditure. Even after deduction of imports, however, this total is not equivalent to the sum of factor incomes arising from production in the United Kingdom. The final expenditures as recorded include any taxes on expenditure which are imposed on the goods and services concerned and which are paid at one stage or another to the government by producers, distributors, or, in some instances, directly by consumers. On the other hand the prices paid by the final buyers do not cover the total factor incomes if the producers receive a government or local authority subsidy. These taxes and subsidies are reflected in the prices paid by the purchaser; but taxes accrue to and subsidies are given by the central government or local authorities, not the producer, and are not identified normally with any specific goods or services which the government provide or receive in return. Consequently although some taxes on expenditure form part of producers' costs, none of them forms part of

the income of factors of production. Similarly, although subsidies form part of the income of factors of production, they do not form part of the prices which the final purchaser pays.

There are, therefore, two different ways of valuing final expenditure and the gross domestic product: *at market prices*, including all taxes on expenditure, subsidies being treated as negative taxes; or *at factor cost*, representing only the sum of the incomes of factors of production. There is no great difficulty in estimating total taxes on expenditure or subsidies but, because of the complex effect of some of the taxes and subsidies on the prices of a wide range of goods and services, there is no accurate or unique method of apportioning them among particular categories of expenditure.

Difficulty arises in the allocation of taxes and subsidies to the various components of final expenditure when they are paid or received not directly in connection with some item of final expenditure but in connection with some 'intermediate' transaction between producers or distributors which cannot be clearly associated with any one item of final expenditure. Taxes on motor fuel used by business vehicles, rates paid on factories or offices and import duties paid on goods subject to further processing are examples of taxes falling on intermediate expenditure. The allocation of taxes and subsidies on intermediate expenditure to items of final expenditure can best be carried out by means of input-output analysis which traces through all the intermediate transactions associated with a final purchase. Such an allocation has been carried out for the main categories of final expenditure in the course of the preparation of input-output tables for 1963.⁽¹⁾ However, while providing a better method of approach the use of input-output analysis is limited by the assumption that all commodities produced by an industry have the same input structure, by the amount of detail in which the service industries can be analysed, and by the fact that such an analysis can be properly carried out only for a period for which a detailed census of production is taken.

The approach used for the regular annual estimates, described below, is to allocate the taxes and subsidies directly to items of final expenditure, not only when they are paid or received by the final purchaser (as in the input-output analysis) but also in certain cases where they are paid or received by an intermediate purchaser but the ultimate distribution among final buyers of the goods and services which he produces is known or can be estimated on a sound basis. The taxes and subsidies are then directly allocated to the appropriate item of final expenditure as though they had been paid or received by the final purchasers themselves. In input-output terms, this procedure involves the allocation of all the clearly identi-

⁽¹⁾ See *Input-Output Tables for the United Kingdom, 1963*, Studies in Official Statistics, No. 16 (HMSO, 1970).

fiable 'indirect' as well as the 'direct' tax and subsidy requirements for each category of final expenditure. In the case of consumers' expenditure, taxes and subsidies allocated directly are, where possible, distributed among particular items of consumers' expenditure. Examples of the taxes which can readily be allocated in this way are the duties on alcoholic drink and tobacco, the bulk of which ultimately forms part of consumers' expenditure, with only a small amount falling on business expenditure.

Taxes and subsidies which cannot be directly allocated to a particular category of final expenditure are allocated in the first place to intermediate expenditure and then redistributed among categories of final expenditure. Apart from selective employment tax and rates for which different methods are used (described below), this redistribution is approximately proportional to the value of expenditure in each category, after the deduction of certain readily identifiable components which clearly do not bear part of the tax or subsidy. The components of final expenditure which are deducted are consumers' expenditure on rent and domestic service; wages, salaries, etc. paid by private non-profit making bodies; consumers' expenditure abroad; public authorities' expenditure on wages, salaries etc; imputed expenditure by public authorities on rent; and all the taxes which have already been directly allocated. To the redistribution made in this way a small further adjustment is made to the allocations to public authorities' current expenditure on goods and services and to domestic capital formation, so that the allocations for 1963 are the same as those derived from the input-output analysis for that year. It is not considered practicable to allocate any taxes specifically to stock-building and, for the redistribution, changes in stocks are combined with fixed capital formation under the general heading gross domestic capital formation. This method of allocating intermediate taxes and subsidies is inevitably arbitrary and the final allocation must be regarded as giving only an approximation to the impact of taxes and subsidies on the various categories of final expenditure. Because of the uncertainties no attempt is made to break down the intermediate taxes allocated to consumers' expenditure into particular components of expenditure.

The allocation of a tax to a certain item of expenditure describes the tax content of that expenditure at the time. If the tax rate is changed then there will generally be a change in the amount of tax applicable to that type of expenditure but this should not be taken to imply that there will be a corresponding change in the price of the product to the final purchaser as there may be an accompanying change in the intermediate inputs or the associated factor incomes, that is in labour costs and/or profits. Again, payment of a subsidy may not reduce the market price of the product but affect instead the source of supply: for example payments in support of agriculture do not necessarily reduce food prices, which are determined largely by world market prices.

Taxes on expenditure

Taxes on expenditure comprise what are generally known as indirect taxes — that is, the Customs and Excise duties (including purchase tax but excluding import deposits), motor vehicle licence duties, selective employment tax, stamp duties, other central government licences and

duties, and local authority rates. Export rebates, in operation from October 1964 to March 1968⁽²⁾, are deducted as a single total from the gross tax payments in the central government current account given in Table 37 of the 1970 Blue Book but, in this article, they are divided into their components of duties on hydrocarbon oil, purchase tax and motor vehicle duties.

Beer, wines and spirits and tobacco duties

In compiling the estimates of consumers' expenditure, an arbitrary proportion is deducted from total expenditure for purchases charged to business accounts; these deductions are about 8 per cent of total expenditure on wines and spirits (10 per cent up to March 1965), 2 per cent of expenditure on beer and $\frac{1}{2}$ per cent of expenditure on tobacco. The same proportions of the respective duties are allocated in the first place to intermediate expenditure and the rest is directly allocated to consumers' expenditure.

Hydrocarbon oil duties

Estimates of the incidence of duties on hydrocarbon oils according to end use are obtained from the same trade sources as the estimates of consumers' expenditure on petrol and oil. The duty on motor fuel used by motorists for private travel is allocated to consumers' expenditure together with about 97 per cent of the duty on fuel used in public service vehicles and about three-quarters of that on fuel used in taxis. The remainder of the duty on motor fuel used in cars, public service vehicles and taxis is estimated to be for business use and the appropriate amount of duty is classified as intermediate. Duty on fuel oil for domestic heating is allocated to consumers' expenditure. Duty on oil for all other civilian use—that is for industrial and business transport and heating—is classified as intermediate. Duty on all fuels used by local authorities and government departments is allocated to public authorities' current expenditure on goods and services. That part of the export rebate estimated to be appropriate to hydrocarbon oil duties is directly allocated to exports as a negative amount and has the effect of offsetting the element of an intermediate expenditure tax redistributed to exports.

Import duties (protective duties and the temporary charge on imports) and purchase tax

The basic data from which the allocation of these taxes is derived are detailed Customs and Excise figures of receipts. In accordance with the general treatment in the national accounts, receipts of purchase tax are anticipated by one calendar quarter — that is receipts in a particular quarter are taken as the estimate of the taxes charged in the preceding quarter. The basic data on purchase tax and import duties are classified according to tax groups and Tariff Chapter headings respectively and before any allocation is made they are rearranged so far as possible to conform with the categories of consumers' expenditure in the national accounts. A residual group of import duties, mainly on industrial materials, cannot be associated with consumers' expenditure or with any particular

⁽²⁾ Although export rebates were abolished, by the Revenue Act, 1968, for exports after 31 March 1968, the Act included provision for rebates to continue on exports under certain pre-devaluation contracts.

form of final expenditure and these duties are allocated in total to intermediate expenditure. Each of the other items is examined separately and various proportions allocated directly to consumers' expenditure using as the main guide the estimated level of consumers' expenditure and the assumptions already made in preparing the consumers' expenditure estimates about the proportions of sales going to business users. Apart from a relatively small amount of purchase tax (mainly on paper stationary) allocated to public authorities' current expenditure, amounts not allocated directly to consumers' expenditure are allocated either to gross domestic capital formation or to intermediate expenditure according to whether or not the goods concerned are of a capital nature. In the main, government departments are exempt from purchase tax in respect of central bulk contracts and the amount allocated to public authorities' current expenditure on goods and services is therefore mainly appropriate to local authorities. Export rebates attributable to purchase tax are allocated directly as a negative amount to exports.

Motor vehicle licence duties

Estimates of consumers' expenditure on motor vehicle licence duties are based on the Family Expenditure Survey and these same amounts are attributed to consumers' expenditure in the allocation of taxes. In addition the duties on public service vehicles and on taxis are divided between consumers' expenditure and intermediate expenditure in the same proportions as the duties on hydrocarbon oils. The rest—licence duties on business cars, commercial vehicles, etc.—is allocated to intermediate expenditure. As with hydrocarbon oil duties and purchase tax the export rebate attributable to motor vehicle licence duties is allocated directly to exports as a negative amount.

Selective employment tax (SET)

The calculations leading to the allocation of SET among categories of final expenditure are in three main stages. First the gross payments of SET in each year are broken down according to industry by multiplying the mid-year estimates of the number of employees in each industry, less the average numbers unemployed or sick during the year, by the appropriate rates of SET. Refunds to the manufacturing, transport and other eligible industries are broken down similarly as negative tax payments. Because of the time lag between payments and refunds, net payments are made by these industries in some years. Premiums over and above the original payments are classified as subsidies. The known actual payments by local authorities and by the central government are substituted for the corresponding calculated amounts and the calculated totals of tax paid and refunds received by each other industry are adjusted *pro rata* so that the grand total equals the known total receipts of tax and payments of refunds by the government. No specific allowance is made for the relatively small amounts of tax which may be paid, without subsequent refund, by manufacturing industries in respect of their head offices, etc. These amounts are implicitly distributed over all industries in the process of adjusting the calculated total of tax paid to the known total of tax receipts.

At the second stage the tax paid by each industry is allocated to the categories of final expenditure both direct-

ly, and indirectly via the allocation to intermediate expenditure, according to the relationships shown by the input-output tables for 1963.⁽³⁾

The final stage is the sub-division of the amount directly allocated to consumers' expenditure into the various categories of consumers' expenditure. For industries other than distribution the appropriate category is fairly obvious. For example SET paid by theatres and cinemas is allocated to 'Entertainment and recreational services' whilst tax paid by hairdressers and laundries is allocated to 'Other services'. For wholesale and retail distribution, the SET paid is first allocated among types of retail shop in proportion to the numbers of staff employed and thence into types of purchase by reference to the pattern of sales of each type of shop, both allocations being based on the results of the 1966 census of distribution. This method of allocation among items of consumers' expenditure is of course arbitrary, since SET is in fact associated with staff employed rather than with the sales of any particular type of product, but it is considered to be the most appropriate.

It is only the amounts directly allocated to consumers' expenditure which are sub-divided by category. The amounts allocated indirectly via the allocation to intermediate expenditure are included in the item 'Not allocated to categories' in Table 3 of the Appendix and in Table 25 of the 1970 Blue Book. Also included in this item is the consumers' expenditure share of the net amounts estimated to have been paid or received in a particular period by industries eligible for refund of SET.

Stamp duties

The stamp duties allocated to consumers' expenditure are the amounts actually included for stamp duties in the 'Other services' heading of consumers' expenditure—that is, the estimated personal element of duties on leases, mortgages and cheques and on transfers of stocks and shares and other financial assets. All stamp duties incurred in the transfer of ownership of land, buildings, etc. are allocated to gross domestic capital formation. All other stamp duties are allocated to intermediate expenditure.

Rates

The amounts directly allocated to consumers' expenditure are the rates paid on domestic houses, flats, etc. and on buildings occupied by private non-profit-making bodies serving persons. Similarly, the amounts directly allocated to public authorities' current expenditure on goods and services are the rates (and payments in lieu of rates) on schools, hospitals, government offices and other public authority buildings. All other rates on shops, offices, factories, etc. are allocated in the first place to intermediate expenditure. However, because nearly all of the sales of shops are sales to consumers, a larger proportion of the rates allocated to intermediate expenditure is redistributed to consumers' expenditure than the general method of redistribution in proportion to the relevant amount of final expenditure would indicate. The additional allocation to consumers expenditure is based on the allocation

(3) See 'The dependence of industry on final demand and on imports in 1963', *Economic Trends*, May 1970.

of rates in 1963 resulting from the input-output analysis in which rates were allocated to industries on the basis of census returns and rateable values and redistributed to categories of final expenditure by inversion of the industry x industry flow matrix.

Taxes paid by foreign tourists, etc. in the United Kingdom

The figures of consumers' expenditure on specific items of goods and services given in Table 22 of the 1970 Blue Book include expenditure by overseas visitors to the United Kingdom, the total expenditure by visitors being deducted as a single item at the end of the table. The allocation of taxes among items of consumers' expenditure has been made in a similar way. The taxes shown against each item include those paid by overseas visitors and a rough estimate of the taxes paid by visitors has been deducted in total, within the item of taxes 'Not allocated to categories' shown in Table 25, and transferred to exports.

Subsidies

Subsidies are payments to a producer or trader having the effect of reducing selling prices below the factor costs of production. The main subsidies in operation in recent years have been the local authority and central government subsidies on housing, central government payments in support of agriculture, deficit grants paid to the nationalised transport undertakings, and payments of employment premiums since 1967. As with taxes on expenditure, the subsidies are allocated directly to categories of final expenditure in so far as the distribution among ultimate beneficiaries can be assessed on a reasonable basis. Nearly one quarter of the total is allocated to intermediate expenditure in the first place and subsequently redistributed among categories of final expenditure by the method described in the introduction.

Housing

All housing subsidies are directly allocated to consumers' expenditure.

Agriculture and food

The greater part of the payments in support of agriculture are allocated directly to consumers' expenditure. Small amounts are also allocated directly to public authorities' current expenditure on goods and services, representing the effect of the subsidies on the cost of school meals, milk and welfare foods and of food consumed in national health service hospitals, prisons, etc. The remaining small proportion of agricultural subsidies is allocated to intermediate expenditure and redistributed in the usual way, in respect of business expenditure on food and non-food products of agriculture. The resulting allocation is consistent with that obtained from the input-output analysis in 1963. The amount allocated directly to consumers' expenditure is subdivided between household expenditure on food, catering and income in kind (mainly food consumed by HM Forces). Exceptionally, the payments to farmers, in 1967 and 1968, in compensation for the loss of cattle through foot and mouth disease are allocated directly to gross domestic capital formation

as changes in the value of livestock are included in stocks and work in progress and these payments were for the replacement of stock.

Nationalised transport undertakings

Grants to the British Railways Board form the main component. To allocate these grants to categories of final expenditure they are first divided between passenger services and freight services in proportion to British Rail receipts from the two forms of service. The freight element of the grants is allocated entirely to intermediate expenditure whilst about 80 per cent of the passenger element is allocated directly to consumers' expenditure and 20 per cent to intermediate expenditure — proportions consistent with the assumptions made in estimating consumers' expenditure on rail travel. Of the other components the whole of the grants to the London Transport Board is allocated to consumers' expenditure and the whole of the grants to the British Waterways Board to intermediate expenditure.

Employment premiums

These comprise selective employment premiums, payable from September 1966 to March 1968, and regional employment premiums, payable from September 1967. These are allocated to the categories of final expenditure both directly, and indirectly via the allocation to intermediate expenditure, according to the relationships shown for manufacturing industry in the input-output tables for 1963. No attempt is made to subdivide the amount so allocated to consumers' expenditure among particular categories of such expenditure.

Other subsidies

The amounts allocated to the 'Travel' component of consumers expenditure in Table 3 of the Appendix are mainly the grants to road passenger transport operators in relief of additional costs arising from increased tax on fuel and part of the Board of Trade deficit on the operation of civil aerodromes and air navigation services. Part of the Board of Trade deficit is also allocated directly to exports. All other subsidies, including assistance to the coal industry in 1967 and 1968, are allocated to intermediate expenditure.

Reconciliation with input-output estimates

Most of the direct allocations to final expenditure of taxes on expenditure and subsidies described above are also used in the input-output analysis. The exceptions are parts of the allocations of hydrocarbon oil and import duties, and the allocation of agricultural subsidies which, in the input-output analysis, are allocated in the first place to intermediate expenditure. In these cases the direct allocations described above include amounts relating to intermediate transactions where the distribution among final buyers can be estimated more satisfactorily than by allocating them in proportion to total final expenditure.

There are important differences in the indirect allocations because in the input-output analysis it is necessary to allocate taxes on expenditure to the industries which actually pay them and subsidies to the industries which actually receive them, while in the allocations described above they are mainly distributed in proportion to the relevant

amounts of final expenditure. In the input-output analysis taxes and subsidies not allocated directly to final buyers are allocated among the 70 industry groups distinguished in the input-output tables on the basis of a variety of information. The allocation of protective duties, for example, follows the allocated distribution of imports; the allocation of hydrocarbon oil duties follows the allocation of sales of specific petroleum products, and information about local rates and motor vehicle licences paid by individual industries was collected in the census of production. Taxes on expenditure less subsidies allocated to industries are redistributed to categories of final expenditure by 'inversion' of the industry x industry flow matrix.

The overall allocation of taxes on expenditure less subsidies for 1963, shown in Table 6 of the input-output

tables,(*) showed only small differences from those described above incorporating redistribution of taxes and subsidies on intermediate expenditure in proportion to the relevant amounts of final expenditure. These arose in respect of the allocations to public authorities' current expenditure on goods and services and to domestic capital formation. Pro-rata adjustments were therefore made to the indirect allocations of taxes on expenditure and of subsidies to these two forms of final expenditure in each year so as to make the two analyses agree overall for 1963.

(*) *Input-output tables for the United Kingdom, 1963, Studies in Official Statistics, No. 16 (HMSO, 1970).*

Central Statistical Office

Allocation of individual taxes on expenditure and subsidies by type of expenditure

TABLE 1

£ million

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
TAXES ON EXPENDITURE											
Customs and Excise duties											
Beer											
Consumers' expenditure	222 4	216 4	237 4	253 4	252 5	286 6	326 6	355 6	383 7	388 7	441 9
Intermediate expenditure											
Total	226	220	241	257	257	292	332	361	390	395	450
Wines and spirits											
Consumers' expenditure	154 17	162 18	180 20	190 20	203 22	241 26	259 26	290 24	309 26	353 29	374 31
Intermediate expenditure											
Total	171	180	200	210	225	267	285	314	335	382	405
Tobacco											
Consumers' expenditure	763 5	813 5	835 5	874 5	889 5	937 5	995 5	1,023 6	1,032 6	1,077 7	1,158 7
Intermediate expenditure											
Total	768	818	858	879	894	942	1,000	1,029	1,038	1,084	1,165
Hydrocarbon oils											
Consumers' expenditure	122	138	160	188	206	241	310	347	396	464	554
Public authorities' current expenditure on goods and services	30	32	31	28	24	27	20	24	24	25	28
Exports of goods and services(')	—	—	—	—	—	—	—37	—67	—66	—45	—11
Intermediate expenditure											
Total	219	231	289	331	342	372	441	485	529	592	696
	371	401	480	547	572	640	734	789	883	1,036	1,267
Import duties (Protective duties and temporary charge on imports)											
Consumers' expenditure(?)	86	97	97	87	83	103	151	136	98	103	103
Gross domestic capital formation	24	33	36	32	33	52	100	91	57	68	66
Intermediate expenditure	16	24	18	29	37	54	92	88	34	51	51
Total	126	154	151	148	153	209	343	315	189	222	220
Purchase tax											
Consumers' expenditure	385	388	400	449	459	510	522	558	606	788	905
Public authorities' current expenditure on goods and services	5	6	7	7	7	7	8	9	9	12	14
Gross domestic capital formation	73	79	74	72	60	69	66	68	78	99	103
Exports of goods and services ('1)	—	—	—	—	—	—	—3	—12	—11	—8	—2
Intermediate expenditure											
Total	38	37	40	43	39	47	51	51	55	72	88
	501	510	521	571	565	633	644	674	737	963	1,108
Betting and gaming											
Consumers' expenditure	37	41	40	36	29	33	33	43	69	96	111
Other Customs and Excise duties(?)											
Consumers' expenditure	21	16	13	13	13	13	12	11	11	12	10
Intermediate expenditure	29	26	36	26	13	8	2	2	—	1	3
Total	50	42	49	39	26	21	14	13	11	13	13
Motor vehicle licence duties											
Consumers' expenditure	53	57	70	85	96	103	125	147	162	216	241
Exports of goods and services(')	—	—	—	—	—	—	—7	—17	—16	—10	—3
Intermediate expenditure											
Total	59	68	71	79	85	91	114	123	127	169	190
	112	125	141	164	181	194	232	253	273	375	428
Selective employment tax											
Consumers' expenditure(?)	—	—	—	—	—	—	—	—	92	152	190
Public authorities' current expenditure on goods and services	—	—	—	—	—	—	—	—	62	160	194
Gross domestic capital formation	—	—	—	—	—	—	—	—	33	60	78
Exports of goods and services	—	—	—	—	—	—	—	—	30	—3	14
Intermediate expenditure									82	65	137
Total	—	—	—	—	—	—	—	—	299	434	619
	—	—	—	—	—	—	—	—	92	118	808
Stamp duties											
Consumers' expenditure	40	39	41	38	33	29	26	28	34	46	46
Gross domestic capital formation	14	18	20	22	19	18	20	21	22	24	27
Intermediate expenditure	39	37	36	35	40	36	30	29	36	48	50
Total	93	94	97	95	92	83	76	78	92	118	123

(1) After deducting export rebates.

(2) Including amounts 'Not allocated to categories'.

(3) Excluding import deposits.

Allocation of individual taxes on expenditure and subsidies by type of expenditure

£ million

TABLE 1 (continued)

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Other central government taxes											
Consumers' expenditure	24 7	25 10	24 10	26 8	22 17	16 32	17 48	20 49	22 56	25 63	30 66
Intermediate expenditure											
Total	31	35	34	34	39	48	65	69	78	88	96
Rates											
Consumers' expenditure	364	386	413	452	505	545	611	682	705	738	793
Public authorities' current expenditure on goods and services	52 298	60 325	58 360	63 401	60 449	67 484	78 539	89 603	98 664	110 705	123 758
Intermediate expenditure											
Total	714	771	831	916	1,014	1,096	1,228	1,374	1,467	1,553	1,674
Adjustment for taxes paid by foreign tourists, etc. in the United Kingdom											
Consumers' expenditure	— 8 + 8	— 9 + 9	— 9 + 9	— 11 + 11	— 11 + 11	— 10 + 10	— 11 + 11	— 12 + 12	— 15 + 15	— 17 + 17	— 17 + 17
Exports of goods and services											
Total	—	—	—	—	—	—	—	—	—	—	—
All taxes on expenditure											
Consumers' expenditure	2,263	2,369	2,519	2,680	2,779	3,047	3,376	3,720	3,964	4,479	4,974
Public authorities' current expenditure on goods and services	87 111	98 130	96 130	98 126	91 112	101 139	106 186	184 213	291 217	341 269	455 293
Gross domestic capital formation	8	9	9	11	11	10	— 36	— 54	— 81	— 26	15
Exports of goods and services(')											
Intermediate expenditure	731	785	889	981	1,054	1,161	1,354	1,548	1,605	1,881	2,131
Total	3,200	3,391	3,643	3,896	4,047	4,458	4,986	5,611	5,996	6,944	7,868
SUBSIDIES											
Housing											
Consumers' expenditure	114	120	133	127	126	136	168	182	195	223	258
Agriculture and food											
Consumers' expenditure	209	208	264	279	250	207	201	177	199	207	205
Public authorities' current expenditure on goods and services	12 —	12 —	16 —	16 —	15 —	12 —	12 —	10 —	12 —	12 —	12 —
Gross domestic capital formation	— 25	— 25	— 31	— 33	— 29	— 25	— 24	— 21	— 13	— 14	— 25
Intermediate expenditure											
Total	246	245	311	328	294	244	237	208	247	258	241
Nationalised transport undertakings											
Consumers' expenditure	—	29	37	40	38	35	44	47	62	57	43
Intermediate expenditure	—	86	100	101	98	88	98	95	104	101	63
Total	—	115	137	141	136	123	142	142	166	158	106
Employment premiums											
Consumers' expenditure(?)	—	—	—	—	—	—	—	—	48	60	49
Public authorities' current expenditure on goods and services	—	—	—	—	—	—	—	—	13	16	13
Gross domestic capital formation	—	—	—	—	—	—	—	—	25	32	26
Exports of goods and services	—	—	—	—	—	—	—	—	33	41	33
Intermediate expenditure	—	—	—	—	—	—	—	—	33	42	34
Total	—	—	—	—	—	—	—	—	152	191	155
Other subsidies											
Consumers' expenditure	6 — 3	5 — 2	3 — 2	2 — 2	1 — 3	2 — 4	11 — 2	12 — 6	15 — 6	17 — 6	27 — 7
Export of goods and services											
Intermediate expenditure											
Total	9	7	5	4	4	6	16	23	27	60	84
All subsidies											
Consumers' expenditure	329	362	437	448	415	380	424	418	519	564	582
Public authorities' current expenditure on goods and services	12 —	12 —	16 —	16 —	15 —	12 —	12 —	10 —	25 —	28 —	25 —
Gross domestic capital formation	—	—	—	—	—	—	—	—	38 —	46 —	26 —
Exports of goods and services	—	—	—	—	—	—	—	—	39 —	47 —	40 —
Intermediate expenditure	28	113	133	136	130	117	124	122	166	205	171
Total	369	487	586	600	560	509	563	555	787	890	844

(1) After deducting export rebates.

(2) Including amounts 'Not allocated to categories'.

Taxes on expenditure and subsidies
Direct and indirect allocation by type of expenditure

TABLE 2

£ million

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
TOTAL TAXES ON EXPENDITURE											
<i>Direct allocation</i>											
Consumers' expenditure	2,263	2,369	2,519	2,680	2,779	3,047	3,376	3,720	3,964	4,479	4,974
Public authorities' current expenditure on goods and services	87	98	96	98	91	101	106	184	291	341	455
Gross domestic capital formation	111	130	130	126	112	139	186	213	217	269	293
Exports of goods and services(1)	8	9	9	11	11	10	— 36	— 54	— 81	— 26	15
Total	2,469	2,606	2,754	2,915	2,993	3,297	3,632	4,063	4,391	5,063	5,737
<i>Indirect allocation to intermediate expenditure</i>											
Consumers' expenditure	437	459	518	581	625	666	775	877	916	1,045	1,178
Public authorities' current expenditure on goods and services	63	65	77	87	91	96	117	135	146	161	178
Gross domestic capital formation	115	138	156	162	174	226	255	290	304	357	392
Export of goods and services	116	123	138	151	164	173	207	246	239	318	383
Total	731	785	889	981	1,054	1,161	1,354	1,548	1,605	1,881	2,131
<i>Total allocation of taxes on expenditure</i>											
Consumers' expenditure	2,700	2,828	3,037	3,261	3,404	3,713	4,151	4,597	4,880	5,524	6,152
Public authorities' current expenditure on goods and services	150	163	173	185	182	197	223	319	437	502	633
Gross domestic capital formation	226	268	286	288	286	365	441	503	521	626	685
Exports of goods and services (1)	124	132	147	162	175	183	171	192	158	292	398
Total	3,200	3,391	3,643	3,896	4,047	4,458	4,986	5,611	5,996	6,944	7,868
TOTAL SUBSIDIES											
<i>Direct allocation</i>											
Consumers' expenditure	329	362	437	448	415	380	424	418	519	564	582
Public authorities' current expenditure on goods and services	12	12	16	16	15	12	12	10	25	28	25
Gross domestic capital formation	—	—	—	—	—	—	—	—	38	46	26
Exports of goods and services	—	—	—	—	—	—	3	5	39	47	40
Total	341	374	453	464	430	392	439	433	621	685	673
<i>Indirect allocation to intermediate expenditure</i>											
Consumers' expenditure	16	64	76	79	75	66	69	68	87	107	88
Public authorities' current expenditure on goods and services	2	10	12	12	12	10	11	11	17	19	16
Gross domestic capital formation	5	21	24	23	22	23	24	23	33	40	33
Exports of goods and services	5	18	21	22	21	18	20	20	29	39	34
Total	28	113	133	136	130	117	124	122	166	205	171
<i>Total allocation of subsidies</i>											
Consumers' expenditure	345	426	513	527	490	446	493	486	606	671	670
Public authorities' current expenditure on goods and services	14	22	28	28	27	22	23	21	42	47	41
Gross domestic capital formation	5	21	24	23	22	23	24	23	71	86	59
Exports of goods and services	5	18	21	22	21	18	23	25	68	86	74
Total	369	487	586	600	560	509	563	555	787	890	844

(1) After deducting export rebates.

Taxes on expenditure and subsidies allocated to consumers' expenditure
Analysis by type of tax and subsidy

TABLE 3

£ million

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
TAXES ON EXPENDITURE											
<i>Food (household expenditure)</i>											
Purchase tax	—	—	—	27	46	50	52	59	63	79	99
Import duties	51	52	50	39	34	33	38	37	34	35	35
Selective employment tax	—	—	—	—	—	—	—	10	33	34	46
Total	51	52	50	66	80	83	90	106	130	148	180
<i>Alcoholic drink</i>											
Beer											
Beer duty	222	216	237	253	252	286	326	355	383	388	441
Selective employment tax	—	—	—	—	—	—	—	—	2	2	3
Total	222	216	237	253	252	286	326	355	385	390	444
<i>Wines, spirits, cider, etc.</i>											
Wines and spirits duty	154	162	180	190	203	241	259	290	309	353	374
Purchase tax	—	—	—	1	2	2	2	3	3	3	4
Excise licences	1	1	1	1	1	1	1	1	1	1	1
Selective employment tax	—	—	—	—	—	—	—	—	2	2	3
Total	155	163	181	192	206	244	262	294	315	359	382
<i>Tobacco</i>											
Tobacco duty	763	813	853	874	889	937	995	1,023	1,032	1,077	1,158
Selective employment tax	—	—	—	—	—	—	—	2	6	7	9
Total	763	813	853	874	889	937	995	1,025	1,038	1,084	1,167
<i>Housing</i>											
<i>Rent, rates and water charges</i>											
Rates	364	386	413	452	505	545	611	682	705	738	793
<i>Maintenance, repairs and improvements by occupiers</i>											
Purchase tax	2	3	3	2	2	3	2	3	3	3	4
Selective employment tax	—	—	—	—	—	—	—	2	11	11	15
Total	2	3	3	2	2	3	2	5	14	14	19
<i>Fuel and light</i>											
Hydrocarbon oil duties	—	—	2	4	5	4	5	5	5	6	7
Selective employment tax	—	—	—	—	—	—	—	1	1	—	—
Total	—	—	2	4	5	4	5	6	6	6	7
<i>Clothing and footwear</i>											
Purchase tax	48	51	55	85	99	106	110	118	123	145	174
Import duties	8	12	14	16	15	21	31	29	16	18	19
Selective employment tax	—	—	—	—	—	—	—	4	16	16	22
Total	56	63	69	101	114	127	141	151	155	179	215
<i>Durable goods</i>											
Purchase tax	103	115	106	102	84	105	104	105	123	149	150
Import duties	5	7	5	4	6	10	16	12	11	11	13
Selective employment tax	—	—	—	—	—	—	—	1	2	2	3
Total	108	122	111	106	90	115	120	118	136	162	166

Taxes on expenditure and subsidies allocated to consumers' expenditure

Analysis by type of tax and subsidy

TABLE 3 (continued)

£ million

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
<i>Furniture and floor coverings</i>											
Purchase tax	20	21	23	27	30	34	36	38	41	51	59
Import duties	2	3	3	3	3	4	6	5	3	4	3
Selective employment tax	—	—	—	—	—	—	—	1	4	4	6
Total	22	24	26	30	33	38	42	44	48	59	68
<i>Radio, electrical and other durable goods</i>											
Purchase tax	80	64	66	61	59	62	59	59	66	95	100
Import duties	2	3	3	3	4	6	10	9	6	8	8
Selective employment tax	—	—	—	—	—	—	—	1	4	3	4
Total	82	67	69	64	63	68	69	69	76	106	112
<i>Other household goods</i>											
<i>Household textiles, soft furnishings and hardware</i>											
Purchase tax	18	18	19	16	17	18	19	21	22	28	37
Import duties	2	3	5	6	6	9	15	13	8	9	8
Selective employment tax	—	—	—	—	—	—	—	1	4	4	6
Total	20	21	24	22	23	27	34	35	34	41	51
<i>Matches, soap and other cleaning materials, etc.</i>											
Purchase tax	4	4	4	4	4	4	5	5	5	6	8
Duty on matches	11	11	10	11	10	10	10	9	9	9	8
Selective employment tax	—	—	—	—	—	—	—	—	1	1	1
Total	15	15	14	15	14	14	15	14	15	16	17
<i>Books, newspapers and magazines</i>											
Selective employment tax	—	—	—	—	—	—	—	—	1	3	4
<i>Chemists' goods</i>											
Purchase tax	36	40	46	46	37	39	42	47	49	73	87
Import duties	1	—	—	—	—	1	1	1	1	1	1
Selective employment tax	—	—	—	—	—	—	—	1	3	3	5
Total	37	40	46	46	37	40	43	49	53	77	93
<i>Miscellaneous recreational goods</i>											
Purchase tax	19	21	23	25	23	26	28	31	35	52	68
Import duties	4	5	6	6	6	8	14	13	9	9	8
Dog and gun licences	1	2	2	1	2	2	1	1	1	2	1
Selective employment tax	—	—	—	—	—	—	—	—	1	1	1
Total	24	28	31	32	31	36	43	45	46	64	78
<i>Other miscellaneous goods</i>											
Purchase tax	32	34	38	37	38	42	45	50	54	76	85
Import duties	5	5	4	4	4	5	8	7	4	4	3
Selective employment tax	—	—	—	—	—	—	—	1	5	5	7
Total	37	39	42	41	42	47	53	58	63	85	95
<i>Running costs of motor vehicles</i>											
Hydrocarbon oil duties	91	106	125	148	163	197	259	295	341	406	487
Motor vehicle licence duties	50	57	70	85	96	103	125	147	163	217	242
Selective employment tax	—	—	—	—	—	—	—	2	11	12	16
Total	141	163	195	233	259	300	384	444	515	635	745
<i>Travel</i>											
Hydrocarbon oil duties	31	32	33	36	38	40	46	47	50	52	60
Motor vehicle licence duties	5	2	2	2	2	2	2	3	2	2	3
Total	36	34	35	38	40	42	48	50	52	54	63

Taxes on expenditure and subsidies allocated to consumers' expenditure

Analysis by type of tax and subsidy

TABLE 3 (continued)

£ million

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Communication services											
Post Office contribution to the Exchequer	2	2	1	—	—	1	1	1	1	1	1
Entertainment and recreational services											
Cinema											
Duty on cinema admissions	8	2	—	—	—	—	—	—	—	—	—
Selective employment tax	—	—	—	—	—	—	—	—	1	1	2
Total	8	2	—	—	—	—	—	—	1	1	2
Other											
Purchase tax on rental television sets	21	15	15	11	10	11	10	10	10	15	14
Television licence duty	10	11	11	13	8	—	—	—	—	—	—
Broadcasting licence revenue retained by Exchequer	3	2	—	—	—	—	—	—	—	—	—
Selective employment tax	—	—	—	—	—	—	—	2	9	9	12
Total	34	28	26	24	18	11	10	12	19	24	26
Other services (including catering)											
Purchase tax	2	2	2	5	8	8	8	9	9	13	16
Import duties	6	6	6	5	4	4	5	5	5	4	4
Betting and gaming	37	41	40	36	29	33	33	43	69	96	111
Stamp duties	40	39	41	38	33	29	26	28	34	46	46
Fines and fees to central government	7	8	10	11	12	13	14	16	18	21	25
Selective employment tax	—	—	—	—	—	—	—	15	48	50	60
Total	92	96	99	95	86	87	86	116	183	230	262
Not allocated to categories											
Taxes paid by foreign tourists, etc. in the United Kingdom	— 8	— 9	— 9	— 11	— 11	— 10	— 11	— 12	— 15	— 17	— 17
Rates	184	197	217	246	274	287	319	356	390	406	434
Selective employment tax	—	—	—	—	—	—	—	88	25	95	102
All other taxes	253	263	302	336	352	381	463	485	487	564	643
Total	429	451	510	571	615	658	771	917	887	1,048	1,162
Total taxes on expenditure allocated to consumers' expenditure	2,700	2,828	3,037	3,261	3,404	3,713	4,151	4,597	4,880	5,524	6,152
SUBSIDIES											
Food (household expenditure)											
Agriculture and food	186	185	235	248	223	184	179	158	177	184	182
Rent, rates and water charges											
Housing	114	120	133	127	126	136	168	182	195	223	258
Travel											
Nationalised transport undertakings	— 6	29	37	40	38	35	44	47	62	57	43
Other transport and communication	6	5	3	2	1	2	11	12	15	17	27
Total	6	34	40	42	39	37	55	59	77	74	70
Other services (including catering)											
Agriculture and food	21	21	26	28	25	21	20	18	20	21	21
Income not included elsewhere											
Agriculture and food	2	2	3	3	2	2	2	1	2	2	2
Not allocated to categories											
Employment premiums	— 16	— 64	— 76	— 79	— 75	— 66	— 69	— 68	61	78	63
Other subsidies	16	64	76	79	75	66	69	68	74	89	74
Total	16	64	76	79	75	66	69	68	135	167	137
Total subsidies allocated to consumers' expenditure	345	426	513	527	490	446	493	486	606	671	670