

FINANCIAL STATEMENT 1966-67

RETURN to an Order of the Honourable The House of Commons
dated 3 May, 1966:—for



COPY of "STATEMENT of REVENUE and EXPENDITURE as laid
before the House by the CHANCELLOR OF THE EXCHEQUER
when opening the BUDGET"

4 MAY 1966

Treasury Chambers,
3 May, 1966 } NIALl MACDERMOT

(Niall MacDermot)

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FINANCIAL STATEMENT 1966-67

FOREWORD

The form of the present Financial Statement follows the new layout introduced last year with the object of displaying more clearly the transactions relevant to the Budget.

Two further changes of layout have been made this year. The national accounts classification of central government transactions (Table 9) has been redrawn so as to separate current items from capital items and to bring out the surplus on current transactions. The reconciliation between the Exchequer figures and the national accounts classification (Table 10) has been similarly divided into two parts: (a) current transactions and (b) financing transactions.

Two new tables have been added. Table 11 extends the national accounts classification to the current and capital transactions of the public sector as a whole, *i.e.*, the central government, local authorities and public corporations. Table 12 provides a reconciliation between the total of Supply expenditure and total public expenditure.

TABLE 1.—PROPOSED CHANGES IN TAXATION

INLAND REVENUE

INCOME TAX

It is proposed to amend the law relating to the taxation of share options so as to charge tax, at the time an option is exercised by a director or employee, on the difference between the amount paid for the shares and their value at that time. In the case of options granted before 3rd May, 1966, the new charge will only apply to increases in value of the shares on or after that date.

It is proposed to introduce provisions confirming that the exemption from income tax of the first £15 of an individual's Post Office Savings Bank interest does not apply to interest on investment deposits.

It is proposed to introduce provisions relating to the pension scheme for Northern Ireland Members of Parliament corresponding to those contained in the Ministerial Salaries and Members' Pensions Act, 1965.

It is proposed that the exemption from income tax of certain pensions payable under the Pensions (India, Pakistan and Burma) Act, 1955, to persons not resident in the United Kingdom shall not extend to increases paid under the Pensions (Increase) Act, 1965.

It is proposed to limit transitionally the rate of United Kingdom income tax chargeable on certain dividends going to residents of countries with which there is an existing double taxation agreement limiting the rate of tax on dividends paid by non-resident companies to residents of the United Kingdom.

It is proposed to amplify the provisions in Section 28 of the Finance Act, 1960, about avoidance of tax by means of transactions in securities.

SURTAX

It is proposed to suspend for 1965–66 the provision in Section 238 of the Income Tax Act, 1952, under which surtax relief may be claimed in certain circumstances where more than a full year's dividend income is received in one year.

It is proposed to make certain minor relaxations of the conditions under which surtax relief may be given for covenanted annual payments under partnership agreements or under maintenance agreements where spouses are living apart.

INCOME TAX AND CORPORATION TAX

It is proposed to abolish investment allowances in respect of expenditure incurred on or after 17th January, 1966; to provide for withdrawing investment allowances and initial allowances in respect of expenditure on assets in respect of which certain grants are paid; and to withdraw free depreciation in respect of certain plant and machinery and mining works provided for use in development districts and in Northern Ireland.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*INLAND REVENUE—*continued*INCOME TAX AND CORPORATION TAX—*continued*

It is proposed to amend the definition of vehicles excluded from initial allowances by Section 13 (1) of the Finance Act, 1965, so as to admit vehicles of a construction primarily suited for conveying goods.

It is proposed to withdraw unilateral double taxation relief for underlying overseas tax on dividends from portfolio investments.

It is proposed to amend the conditions governing the tax exemptions enjoyed by registered Friendly Societies and to provide that certain new societies shall not be entitled to those exemptions; it is also proposed that, in addition to the sums which may be assured on a tax-exempt basis under the present law, the societies shall be empowered to assure further amounts up to £2,000 (lump sum) or £208 (annuity). Such additional business will not qualify for tax exemption.

CORPORATION TAX AND INCOME TAX (SCHEDULE F)

It is proposed to fix the initial rate of corporation tax at 40 per cent.

It is proposed to limit the amount of relief to be given by way of “one-year surplus” or “three-year surplus” in the case of a company which is a member of a group of companies.

It is proposed to amend the provisions giving overspill relief to groups of companies.

It is proposed to allow, transitionally, a deduction for certain payments of interest and royalties relieved from United Kingdom income tax under a double taxation agreement.

It is proposed to treat as a distribution interest paid on securities held as a component of combined units of securities and shares.

ESTATE DUTY

It is proposed to make further provision against the avoidance of estate duty on the death of a life tenant of settled property.

It is proposed to make provision against the avoidance of duty, by persons dying domiciled in Great Britain, by means of Government securities which are exempted from duty when beneficially owned by persons neither domiciled nor ordinarily resident in the United Kingdom.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*INLAND REVENUE—*continued*

CAPITAL GAINS

It is proposed to provide that advances out of settled property should not give rise to a capital gains tax charge in respect of the whole of the property remaining in the settlement.

It is proposed to amend the rules for calculating the gain accruing when, on the occasion of a "rights" issue, a shareholder sells the "rights" instead of taking up the shares.

It is proposed that the transfer of a debtor's assets to a trustee in bankruptcy shall not be treated as a disposal for capital gains tax purposes (or for the purposes of the short-term gains tax).

It is proposed that the rate of tax payable by life assurance companies on capital gains reserved for policy holders shall be limited to 30 per cent.

It is proposed that as from 6th April, 1966, the special capital gains tax charge at the rate of 35 per cent on gains accruing to companies not yet within the charge to corporation tax in respect of any source of income, or part of a source, shall be superseded. Gains accruing to such companies after 5th April, 1966, will be chargeable to corporation tax.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*

CUSTOMS AND EXCISE

Betting and gaming.—With effect from 24th October, 1966, it is proposed to charge a duty, at the rate of $2\frac{1}{2}$ per cent of the stake money paid, on all betting including totalisator betting, but excluding other pool betting and fixed-odds coupon betting, which will remain chargeable at the rate of 25 per cent. The proposed duty will replace the existing duties on betting at dog race courses.

With effect from 1st October, 1966, it is proposed to charge annual licence duties on coin-operated gaming machines at the rate of £37 10s. per machine where the machine is operated by coins of a value of 3d. or less, and otherwise at the rate of £75 per machine; and, on certain premises where bingo and casino-type gaming take place, at the rates set out below:

| Description of premises | Amount of duty | |
|---|----------------------|--|
| | On licence for bingo | On licence for gaming other than bingo |
| Premises other than those of a rateable value exceeding £1,000 ... | £ 100 | £ 500 |
| Premises of a rateable value exceeding £1,000 but not exceeding £3,000 | 1,000 | 5,000 |
| Premises of a rateable value exceeding £3,000 | 1,000 | 50,000 |

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

European Free Trade Association.—The following changes are proposed in pursuance of undertakings given to the other countries in the European Free Trade Association:

Export rebate.—It is proposed that, with effect from 1st January, 1967, certain exports to E.F.T.A. countries shall cease to be entitled to export rebate under Section 7 of the Finance (No. 2) Act, 1964.

Hydrocarbon oil.—It is proposed to reduce to 2d. per gallon the effective rate of duty on those heavy hydrocarbon oils (mainly lubricating oils) which are at present chargeable at 3d. per gallon. This change will take effect from 1st September, 1966.

Hop oil and hop extracts.—With effect from 1st September, 1966, it is proposed to relieve from duty hop oil and hop extracts originating in and consigned from E.F.T.A. countries.

Imported vodka.—With effect from 1st September, 1966, it is proposed to remove the prohibition on the delivery for home use of all imported vodka which complies with certain conditions but is aged less than three years.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*CUSTOMS AND EXCISE—*continued*

Hover vehicles and pipelines.—It is proposed to make provision to apply Customs and Excise law to hovervehicle traffic and to goods imported through pipelines.

Sugar surcharge.—It is proposed to except high-test, invert or fancy molasses from liability to sugar surcharge and eligibility for distribution payment under the Sugar Act, 1956. It is also proposed to abolish the requirement that exported beer must be deposited in bonded warehouse before sugar surcharge can be repaid on it.

SELECTIVE EMPLOYMENT TAX

It is proposed to introduce a Selective Employment Tax, to be collected together with the employer's national insurance contributions. The tax will be payable by all employers who pay flat rate national insurance contributions. It will be charged with effect from 5th September, 1966.

The weekly rates payable in respect of each employee for whom employer's flat rate national insurance contributions are payable will be:

| | | | | s. | d. |
|----------------|-----|-----|-----|----|----|
| Men | ... | ... | ... | 25 | — |
| Women | ... | ... | ... | 12 | 6 |
| Boys under 18 | ... | ... | ... | 12 | 6 |
| Girls under 18 | ... | ... | ... | 8 | — |

The tax will not be charged on contributions in respect of self-employment.

Proposals will be made for refunding or counter balancing the effect of the tax in the case of certain categories of employers, and for payments of premium in the case of manufacturing establishments, as defined for the purposes of the scheme. The premium in respect of each employee in a manufacturing establishment, for whom the employer has paid the tax, will be at the following weekly rates:

| | | | | s. | d. |
|----------------|-----|-----|-----|----|----|
| Men | ... | ... | ... | 32 | 6 |
| Women | ... | ... | ... | 16 | 3 |
| Boys under 18 | ... | ... | ... | 16 | 3 |
| Girls under 18 | ... | ... | ... | 10 | 6 |

Further details of these proposals are set out in the White Paper entitled "The Selective Employment Tax" (Cmnd. 2986).

TABLE 2.—ESTIMATED EFFECTS OF CHANGES IN TAXATION

| | £ million | |
|--|-------------------------|-----------------------------|
| | Estimate for 1966-67 | Estimate for a full year |
| INLAND REVENUE | | |
| <i>Income tax—</i> | | |
| Limitation of the one-year surplus relief for companies ... | +60 | (a) |
| <i>Surtax—</i> | | |
| Disallowance of relief for dividends received in 1965-66 ... | +3 | (b) |
| <i>Income tax and corporation tax—</i> | | |
| Initial allowances on certain goods vehicles ... | — | (c) |
| <i>Estate duty—</i> | | |
| Restriction of exemption given to certain British Government securities ... | — | +1 |
| <i>Capital gains—</i> | | |
| Rate for life assurance companies to be 30 per cent ... | — | (d) |
| TOTAL INLAND REVENUE ... | +63 | ... |
| CUSTOMS AND EXCISE | | |
| Betting and gaming ... | +8 | +17 |
| <i>Changes in pursuance of E.F.T.A. commitments—</i> | | |
| Export rebate ... | nil | +9 |
| Heavy hydrocarbon oil ... | —½ | —1 |
| Hop oil and hop extracts ... | negligible | negligible |
| Vodka ... | nil | nil |
| TOTAL CUSTOMS AND EXCISE ... | +7½ | +25 |
| SELECTIVE EMPLOYMENT TAX ... | +315 (e) | +240 (e) |
| Total ... | +385½ | ... |

(a) The total yield is estimated at £85 million, most of it in 1966-67.

(b) The total yield is estimated at £4 million, mainly in 1966-67 and 1967-68.

(c) Rising to a maximum cost of £2 million.

(d) The precise cost is impossible to estimate but it is eventually expected to be about £5 million a year.

(e) These estimates are the net yields after allowing for reimbursements to employers in certain categories and payments of premium.

TABLE 3.—TAXATION AND MISCELLANEOUS RECEIPTS

£ million

| | 1965-66 | | 1966-67 Estimate | |
|--|-----------------|--------------|-----------------------|----------------------|
| | Budget Estimate | Outturn | Before Budget changes | After Budget changes |
| TAXATION | | | | |
| <i>Inland Revenue—</i> | | | | |
| Income Tax | 3,592 | 3,678 | 3,540 | 3,600 |
| Surtax | 200 | 203 | 245 | 248 |
| Profits Tax, Excess Profits Tax and Excess Profits Levy | 445 | 438 | 95 | 95 |
| Corporation Tax | — | — | 1,000* | 1,000* |
| Death Duties | 280 | 293 | 310 | 310 |
| Stamp Duties | 75 | 76 | 80 | 80 |
| Capital Gains Tax | — | — | 5 | 5 |
| <i>Total Inland Revenue</i> | <i>4,592</i> | <i>4,688</i> | <i>5,275</i> | <i>5,338</i> |
| <i>Customs and Excise—</i> | | | | |
| Tobacco | 1,054✓ | 1,015 | 1,030✓ | 1,030 |
| Purchase Tax | 653✓ | 647 | 670✓ | 670 |
| Oil | 785✓ | 786 | 830✓ | 830 |
| Spirits, Beer and Wine | 616✓ | 625 | 646✓ | 646 |
| Betting and Gaming | 30✓ | 33 | 35 | 43 |
| Other Revenue Duties, &c. | 12 | 14✓ | 12 | 12 |
| Import Duties Act, 1958 | 165✓ | 186 | 188✓ | 188 |
| Temporary Charge on Imports | 138 | 156✓ | 90 | 90 |
| Less: Export Rebates | —80 | —61✓ | —76 | —76 |
| <i>Total Customs and Excise</i> | <i>3,373</i> | <i>3,401</i> | <i>3,425</i> | <i>3,433</i> |
| Motor Vehicle Duties | 249 | 247 | 263 | 263 |
| Less: Export Rebates | —15 | —12 | —18 | —18 |
| | <i>234</i> | <i>235</i> | <i>245</i> | <i>245</i> |
| Selective Employment Tax | — | — | — | 315† |
| TOTAL TAXATION | 8,199 | 8,324 | 8,945 | 9,331 |
| MISCELLANEOUS RECEIPTS | | | | |
| Interest and Dividends | 533 | 513 | 595 | 595 |
| Broadcast Receiving Licences | 57 | 69 | 73 | 73 |
| Other | 237 | 239 | 225 | 225 |
| Total | 9,026 | 9,145 | 9,838 | 10,224 |

* At the rate of 40 per cent.

† This is an estimate of the net yield in 1966-67 after allowing for reimbursements to employers in certain categories and payments of premium.

TABLE 4.—SUPPLY SERVICES AND CONSOLIDATED FUND
STANDING SERVICES

£ million

| | 1965-66 | | 1966-67 |
|--|-----------------|--------------|--------------|
| | Budget Estimate | Outturn | Estimate |
| SUPPLY SERVICES* | | | |
| <i>Defence Budget—</i> | | | |
| Defence—(Central) | 29 | 28 | 29 |
| (Navy)... .. | 589 | 558 | 598 |
| (Army, etc.) | 527 | 523 | 556 |
| (Air) | 546 | 518 | 542 |
| Ministry of Aviation | 254 | 270 | 276 |
| Ministry of Public Building and Works | 170 | 154 | 166 |
| Atomic Energy Authority | 5 | 5 | 5 |
| <i>Total Defence Budget</i> | <i>2,120</i> | <i>2,056</i> | <i>2,172</i> |
| <i>Other Supply—</i> | | | |
| I. Government and Exchequer | 108 | 114 | 179 |
| II. Commonwealth and Foreign | 217 | 226 | 220 |
| III. Home and Justice | 174 | 178 | 191 |
| IV. Industry, Trade and Transport | 543 | 549 | 618 |
| V. Agriculture | 339 | 279 | 312 |
| VI. Local Government, Housing and Social Services | 2,923 | 3,014 | 3,236 |
| VII. Education and Science | 412 | 414 | 452 |
| VIII. Museums, Galleries and the Arts | 9 | 9 | 12 |
| IX. Public Buildings and Common Governmental Services | 189 | 191 | 217 |
| X. Smaller Public Departments | 8 | 8 | 9 |
| XI. Miscellaneous | 90 | 102 | 108 |
| Defence (Army) Purchasing (Repayment) Services | 2 | — | 2 |
| <i>Total Other Supply</i> | <i>5,014</i> | <i>5,084</i> | <i>5,556</i> |
| TOTAL SUPPLY SERVICES | 7,134 | 7,140 | 7,728 |
| CONSOLIDATED FUND STANDING SERVICES | | | |
| Interest on and management of National Debt | 1,175 | 1,136 | 1,260 |
| Northern Ireland—share of reserved taxes, etc. | 144 | 149 | 160 |
| Payments arising from war-time liabilities— | | | |
| War Damage | 4 | 2 | 3 |
| Post-war credits (including interest) | 17 | 18 | 17 |
| Miscellaneous | 8 | 11 | 9 |
| Total | 8,482 | 8,456 | 9,177 |

* For purposes of comparison with 1966-67, the 1965-66 figures have been adjusted to take account of transfers between Votes. The 1966-67 figures include £70 million attributable to changes in classification, *i.e.*, the inclusion in Votes of expenditure which would otherwise appear as a reduction of revenue or as advances from the Consolidated Fund (see paragraph 66 of "Public Expenditure: Planning and Control". Cmnd. 2915).

TABLE 5.—CONSOLIDATED FUND LOANS TO INDUSTRY

£ million

| | 1965-66 | | 1966-67 |
|--|-----------------|------------|------------|
| | Budget Estimate | Outturn | Estimate |
| <i>Loans to Nationalised Industries (net)—</i> | | | |
| Post Office | 130 | 95 | 159 |
| National Coal Board | 53 | 39 | 7 |
| Electricity Council | 365 | 295 | 426 |
| North of Scotland Hydro-Electric Board | 14 | 12 | 24 |
| South of Scotland Electricity Board | 34 | 26 | 35 |
| Gas Council | 67 | 61 | 135 |
| British Overseas Airways Corporation | — | —3* | —3* |
| British European Airways Corporation | 9 | 5 | 7 |
| British Airports Authority | — | — | 2 |
| British Railways Board | 20 | 30 | 20 |
| London Transport Board | 16 | 19 | 30 |
| British Transport Docks Board | 4 | 1 | 9 |
| Transport Holding Company | — | 10 | 10 |
| Less: estimated shortfall on borrowing | — | — | —96 |
| <i>Loans to Private Industry—</i> | | | |
| Shipbuilding Credit Scheme (net) | 31 | 28 | —1* |
| Total | 743 | 618 | 764 |

* Net repayment.

Note.—Further details of these items are contained in the White Paper on Loans from the Consolidated Fund, 1966-67 (Cmnd. 2974).

TABLE 7.—EXCHEQUER BORROWING AND SPECIAL TRANSACTIONS

£ million

| | 1965-66 Outturn | |
|--|--------------------|----------|
| | Receipts | Payments |
| EXCHEQUER BORROWING: | | |
| Marketable securities: | | |
| New Issues: | | |
| 6½% Exchequer Loan, 1969 | 100 | — |
| 6% Exchequer Loan, 1970 | 495 | — |
| 6½% Treasury Loan, 1976 | 100 | — |
| 6% Funding Loan, 1993 | 576 | — |
| Redemptions: | | |
| 3% Savings Bonds, 1955-65 | — | 198 |
| 5½% Exchequer Stock, 1966 | — | 976 |
| Statutory Sinking Funds | — | 43 |
| Terminable Annuities (National Debt Commissioners) | — | 79 |
| Repayment of debt to the Bank of Ireland | — | 3 |
| National Savings Securities (net): | | |
| National Savings Certificates | — | 157 |
| Defence Bonds | — | 145 |
| National Development Bonds | 72 | — |
| Premium Savings Bonds | 54 | — |
| National Savings Stamps and Gift Tokens | 3 | — |
| Tax Reserve Certificates (net) | — | 59 |
| Floating Debt (net) | 409 | — |
| Other Debt—payable in sterling: | | |
| Interest-free notes (net) | 680 | — |
| Other | — | 5 |
| Other Debt—payable in external currencies | — | 11 |
| SPECIAL TRANSACTIONS: | | |
| Increase in sterling capital of Exchange Equalisation Account | — | 50 |
| Contribution to International Development Association | — | 11 |
| Subscription to International Monetary Fund | — | 175 |
| Increase in Exchequer balance | — | 1 |
| | 2,489 | 1,913 |
| Balance of Receipts over Payments | 576 | |

TABLE 8.—SUMMARY OF EXCHEQUER RECEIPTS AND ISSUES

£ million

| | 1965-66 | | 1966-67 Estimate | |
|---|--------------------|------------|-----------------------------|----------------------------|
| | Budget Estimate | Outturn | Before Budget changes | After Budget changes |
| REVENUE (<i>Table 3</i>) | | | | |
| Taxation | 8,199 | 8,324 | 8,945 | 9,331 |
| Miscellaneous Receipts | 827 | 821 | 893 | 893 |
| TOTAL | 9,026 | 9,145 | 9,838 | 10,224 |
| EXPENDITURE (<i>Table 4</i>) | | | | |
| Supply Services | 7,134 | 7,140 | 7,728 | 7,728 |
| Consolidated Fund Standing Services | 1,348 | 1,316 | 1,449 | 1,449 |
| TOTAL | 8,482 | 8,456 | 9,177 | 9,177 |
| SURPLUS | 544 | 689 | 661 | 1,047 |
| CONSOLIDATED FUND LOANS (NET): | | | | |
| To Industry (<i>Table 5</i>) | 743 | 618 | 764 | 764 |
| Other (<i>Table 6</i>) | 525 | 647 | 570 | 570 |
| TOTAL | 1,268 | 1,265 | 1,334 | 1,334 |
| EXCHEQUER BORROWING AND SPECIAL TRANS- ACTIONS (NET) (<i>Table 7</i>) | | | | |
| | 724 | 576 | 673 | 287 |
| LENDING MET FROM SURPLUS ... | 544 | 689 | 661 | 1,047 |

TABLE 9.—NATIONAL ACCOUNTS CLASSIFICATION

| | 1965-66 | | 1966-67 Estimate | |
|---|--------------------------------|---------------------|-----------------------|----------------------|
| | Budget Estimate ⁽¹⁾ | Provisional outturn | Before Budget changes | After Budget changes |
| CURRENT RECEIPTS | | | | |
| Gross trading income | 30 | 27 | 21 | 21 |
| Gross rental income | 99 | 103 | 104 | 104 |
| Interest on loans to— | | | | |
| Local authorities | 136 | 149 | 176 | 176 |
| Public corporations | 338 | 323 | 376 | 376 |
| Other interest, dividends, etc. ... | 142 | 125 | 126 | 126 |
| Taxes on income | 4,242 | 4,324 | 4,820 | 4,883 |
| National insurance contributions ... | 1,588 | 1,580 | 1,664 | 1,664 |
| National health contributions ... | 170 | 166 | 169 | 169 |
| Taxes on expenditure | 3,762 | 3,808 | 3,849 | 3,857 |
| Selective Employment Tax | — | — | — | 315 ⁽²⁾ |
| TOTAL | 10,507 | 10,605 | 11,305 | 11,691 |
| CAPITAL RECEIPTS | | | | |
| Current surplus ⁽³⁾ | 1,007 | 1,071 | 1,015 | 1,401 |
| Taxes on capital | 282 | 295 | 317 | 317 |
| Loan repayments from overseas governments | 31 | 25 | 33 | 33 |
| Receipts from certain pension "funds" (net) | 52 | 59 | 62 | 62 |
| Adjustments for accruals of— | | | | |
| Taxes on expenditure | —10 | —17 | —20 | —20 |
| Subsidies | — | 8 | —5 | —5 |
| Net borrowing by Northern Ireland central government | 4 | 11 | 15 | 15 |
| Miscellaneous financial receipts and changes in cash balances | —16 | —74 | —18 | —18 |
| Net balance— | | | | |
| Increase in net indebtedness to Bank of England Banking Department | | 183 | | |
| Increase in notes and coin in circulation | | 193 | | |
| Increase in non-marketable debt— | | | | |
| National savings | | —115 | | |
| Tax reserve certificates ... | | —59 | | |
| Net receipts from market transactions | | 27 | | |
| Direct borrowing (net) from overseas governments and institutions | | 403 | | |
| Net change in gold and foreign currency reserves (increase—) ... | | —128 ⁽⁵⁾ | | |
| Total⁽⁶⁾ | 574 | 504 | 668 | 282 |
| TOTAL | 1,924 | 1,882 | 2,067 | 2,067 |

⁽¹⁾ Some of the figures differ slightly from those given in table 11 of the Financial Statement (1965-66), H.C. 154—6 April 1965, because of subsequent changes in the national accounts classification of some items in the Estimates of Supply expenditure.

⁽²⁾ This is a net yield after allowing for reimbursements and payments of premium. The implications for central government and public sector expenditure of the corresponding gross figures have not been incorporated in this table and table 11.

⁽³⁾ Before allowing for depreciation and stock appreciation.

⁽⁴⁾ These figures do not reflect the reduction of £110 million in the liabilities of the British Overseas Airways Corporation following the capital reconstruction under the Air Corporations Act 1966.

⁽⁵⁾ In addition £316 million was transferred to the reserves from the liquid portion of the Treasury dollar portfolio.

⁽⁶⁾ Net balance excluding borrowing for on-lending to local authorities and public corporations is a surplus of

603 698 648 1,034

OF CENTRAL GOVERNMENT TRANSACTIONS

£ million

| | 1965-66 | | 1966-67 Estimate | |
|--|-------------------------------------|------------------------|-----------------------------|----------------------------|
| | Budget Estimate (¹) | Provisional outturn | Before Budget changes | After Budget changes |
| CURRENT EXPENDITURE | | | | |
| Current expenditure on goods and services ... | 3,858 | 3,911 | 4,265 | 4,265 |
| Debt interest | 1,078 | 992 | 1,110 | 1,110 |
| Subsidies | 514 | 505 | 505 | 505 |
| Current grants to— | | | | |
| Local authorities | 1,263 | 1,313 | 1,460 | 1,460 |
| Persons and private non-profit making bodies | 2,608 | 2,641 | 2,776 | 2,776 |
| Abroad | 179 | 172 | 174 | 174 |
| Total current expenditure... .. | 9,500 | 9,534 | 10,290 | 10,290 |
| Current surplus(³) | 1,007 | 1,071 | 1,015 | 1,401 |
| TOTAL | 10,507 | 10,605 | 11,305 | 11,691 |
| CAPITAL EXPENDITURE | | | | |
| Gross domestic fixed capital formation... .. | 328 | 309 | 368 | 368 |
| Increase in value of stocks | 14 | 21 | 25 | 25 |
| Capital grants to— | | | | |
| Local authorities | 88 | 72 | 94 | 94 |
| Public corporations | 2 | 2(⁴) | 7 | 7 |
| Private sector | 159 | 142 | 151 | 151 |
| Net lending to— | | | | |
| Local authorities | 386 | 549 | 432 | 432 |
| Public corporations | 791 | 653(⁴) | 884 | 884 |
| Private sector at home | 50 | 43 | 19 | 19 |
| Net lending abroad for private industry, etc. ... | —4 | —2 | —2 | —2 |
| Loans to overseas governments | 100 | 81 | 77 | 77 |
| Drawings from United Kingdom subscriptions to international lending bodies | 10 | 12 | 12 | 12 |
| TOTAL | 1,924 | 1,882 | 2,067 | 2,067 |

TABLE 10.—RECONCILIATION BETWEEN EXCHEQUER RECEIPTS AND ISSUES AND
NATIONAL ACCOUNTS CLASSIFICATION

The following two tables provide a reconciliation between the transactions of the Exchequer and a national accounts classification covering the transactions of the whole of the central government sector of the economy, as defined in the statistics of national income and expenditure published by the Central Statistical Office.

Table 10 (a) starts with Exchequer revenue and expenditure, as in the top half of Table 8 and ends with current receipts and expenditure as in the top half of Table 9. Table 10 (b) starts with Exchequer borrowing and special transactions (net), the final balancing item of Table 8, and ends with the net balance which closes Table 9.

A definition of the central government as a sector of the economy in the national accounts and a detailed description of the differences between Exchequer transactions and the transactions of the central government considered as a whole are contained in "National Income Statistics—Sources and Methods" and in the notes to the Blue Book "National Income and Expenditure, 1965", published by Her Majesty's Stationery Office.

TABLE 10.—RECONCILIATION BETWEEN EXCHEQUER RECEIPTS AND ISSUES AND NATIONAL ACCOUNTS CLASSIFICATION—*continued*

(a) Current Transactions

£ million

| | Receipts | | Expenditure | | Net ⁽¹⁾ | |
|---|--|---|--|---------------------|--|---|
| | 1965-66 Provi- sional outturn | 1966-67 Estimate after Budget changes | 1965-66 Provi- sional outturn | 1966-67 Estimate | 1965-66 Provi- sional outturn | 1966-67 Estimate after Budget changes |
| <i>Exchequer revenue and expenditure—</i> | | | | | | |
| Taxation and miscellaneous receipts | 9,145 | 10,224 | — | — | } 689 | 1,047 |
| Supply services and Consolidated Fund standing services | — | — | 8,456 | 9,177 | | |
| <i>Reconciliation with National Accounts Classification—</i> | | | | | | |
| <i>Coverage differences—</i> | | | | | | |
| Internal transfers between Exchequer and Depart- ments (Vote Services) ⁽²⁾ | —158 | —141 | —135 | —16 | —23 | —125 |
| British Broadcasting Corporation ⁽³⁾ | —69 | —73 | —69 | —73 | — | — |
| Current transactions of extra-Exchequer bodies ⁽⁴⁾ — | | | | | | |
| National Insurance Funds (Great Britain), trans- actions— | | | | | | |
| With Exchequer | — | — | —359 | —367 | 359 | 367 |
| Outside central government | 1,587 | 1,658 | 1,917 | 1,994 | —330 | —336 |
| Other (including Northern Ireland central govern- ment), transactions— | | | | | | |
| With Exchequer | —12 | —14 | —231 | —248 | 219 | 234 |
| Outside central government | 84 | 96 | 126 | 155 | —42 | —59 |
| <i>Difference in treatment of current receipts—</i> | | | | | | |
| Less Exchequer receipts netted off current expenditure in national accounts classification ⁽⁵⁾ | —11 | —8 | —11 | —8 | — | — |
| Plus current receipts netted off expenditure in Ex- chequer classification ⁽⁶⁾ — | | | | | | |
| National health contributions | 160 | 164 | 160 | 164 | — | — |
| Other items | 100 | 36 | 100 | 36 | — | — |
| <i>Deduction of capital and financial items in—</i> | | | | | | |
| Exchequer revenue— | | | | | | |
| Receipts netted off capital expenditure in national accounts classification | —18 | —15 | — | — | —18 | —15 |
| Taxes on capital and other non-current receipts ... | —299 | —332 | — | — | —299 | —332 |
| Supply Services (chiefly gross domestic fixed capital formation and capital grants) | — | — | —489 | —592 | 489 | 592 |
| Consolidated Fund Standing Services | — | — | —2 | —3 | 2 | 3 |
| <i>Differences in basis of recording—</i> | | | | | | |
| Accrued interest on National Savings Certificates ... | — | — | —1 | — | 1 | — |
| Accruals of taxes on expenditure and of subsidies ... | 17 | 20 | 8 | —5 | 9 | 25 |
| Other items ⁽⁷⁾ | 79 | 76 | 64 | 76 | 15 | — |
| Current receipts and expenditure as in National Accounts Classification | 10,605 | 11,691 | 9,534 | 10,290 | 1,071 | 1,401 |

⁽¹⁾ Receipts less expenditure.⁽²⁾ Mainly surrenders of surplus revenue. The net difference in the final two columns reflects (a) loan transactions between Exchequer and Votes, which are not included in the Exchequer figures at the start of the reconciliation; and (b) the difference in total between Exchequer receipts and issues on the one hand and the corresponding receipts and payments by Departments on the other.⁽³⁾ In the national accounts classification the British Broadcasting Corporation is not treated as part of central government. Revenue from broadcast receiving licences is treated as though paid directly to the Corporation and deducted from the Exchequer figures together with the corresponding grant in Supply Services.⁽⁴⁾ Transactions between the Exchequer and other parts of the central government are eliminated, the main items being the Exchequer contributions to the National Insurance Funds, payment to the Northern Ireland central government of the share of reserved taxes, etc., and payment of debt interest to extra-Exchequer funds. In their place there are included the current transactions of extra-Exchequer bodies with the rest of the economy, the main items being receipts of national insurance contributions and payment of national insurance benefits and the transactions of the Northern Ireland central government.⁽⁵⁾ Some current receipts passed to the Exchequer (e.g., refunds of current payments) are for national accounting purposes not treated as revenue, but as deductions from the corresponding expenditure.⁽⁶⁾ Some current receipts which are authorised as appropriations-in-aid of Votes are treated for national accounting purposes as part of current income, not as a deduction from expenditure.⁽⁷⁾ Mainly an allowance for imputed rent, representing the notional amount the government would have to pay for the use of the fixed capital assets it owns and uses, if in fact it did not own them. This amount is treated as both government income and expenditure.

TABLE 10.—RECONCILIATION BETWEEN EXCHEQUER RECEIPTS AND ISSUES AND NATIONAL ACCOUNTS CLASSIFICATION—*continued*

(b) Financing Transactions

£ million

| | 1965-66 | 1966-67 |
|---|------------------------|----------------------------------|
| | Provisional outturn | Estimate after Budget changes |
| Exchequer borrowing and special transactions (net) ... | 576 | 287 |
| Less surpluses lent by extra-Exchequer funds to Exchequer but not constituting borrowing from sectors of the economy outside central government— | | |
| Departmental balances (including Civil Contingencies Fund and various deposit accounts) ... | 47 | } -105 |
| National Insurance Funds ... | -30 | |
| Local Loans Fund ... | -3 | |
| Issue Department surplus income ... | -75 | |
| Plus increase in coin in circulation ... | 17 | 15 |
| Plus U.S. credit for purchase of military aircraft ... | — | 100 |
| Transactions included as receipts (reducing borrowing requirement) or as expenditure (increasing borrowing requirement) in giving rise to central government net balance— | | |
| Drawings from United Kingdom subscriptions to international lending bodies (excluding I.M.F.) ... | 12 | 12 |
| Accrued interest on National Savings Certificates ... | -1 | — |
| Miscellaneous ... | -39 | -27 |
| Central government net balance ... | 504 | 282 |

TABLE 11.—NATIONAL ACCOUNTS CLASSIFICATION OF PUBLIC SECTOR
TRANSACTIONS

This is a consolidated table of current and capital transactions of central government, local authorities and public corporations. Comparable items for the transactions of each of these three sectors have been added together, but internal transactions involving a transfer from one sector to another—*e.g.*, grants and loans from central government to local authorities—have been omitted. For a fuller explanation reference should be made to “National Income Statistics—Sources and Methods” and to the notes to the Blue Book “National Income and Expenditure, 1965”, published by Her Majesty’s Stationery Office.

The table is an extension to the public sector as a whole of the type of presentation given in Table 9 for central government alone. It should be noted, however, that the provisional outturn figures for local authorities and public corporations are based on information for only three-quarters of the financial year without the check which exists for the central government figures from the known totals of Exchequer receipts and issues for the year as a whole. The estimates for local authorities and public corporations are also of different character from those for central government, since they are not related to an authorisation by Parliament.

TABLE 11.—NATIONAL ACCOUNTS CLASSIFICATION

| | 1965-66 | 1966-67 Estimate | |
|---|------------------------|-----------------------------|----------------------------|
| | Provisional outturn | Before Budget changes | After Budget changes |
| CURRENT RECEIPTS | | | |
| Taxes on income | 4,316 | 4,811 | 4,874 |
| National insurance contributions | 1,580 | 1,664 | 1,664 |
| National health contributions | 166 | 169 | 169 |
| Taxes on expenditure, central government | 3,808 | 3,849 | 3,857 |
| Selective Employment Tax | — | — | 315 ⁽²⁾ |
| Local rates | 1,276 | 1,430 | 1,430 |
| Gross trading surpluses— ⁽³⁾ | | | |
| Central government and local authorities | 101 | 99 | 99 |
| Public corporations... .. | 990 | 1,080 | 1,080 |
| Gross rental income | 663 | 706 | 706 |
| Interest, dividends, etc. | 234 | 244 | 244 |
| TOTAL | 13,134 | 14,052 | 14,438 |
| CAPITAL RECEIPTS | | | |
| Current surplus ⁽³⁾ | 2,152 | 2,281 | 2,667 |
| Taxes on capital | 295 | 317 | 317 |
| Capital transfers | 10 | 10 | 10 |
| Loan repayments from overseas governments... .. | 25 | 33 | 33 |
| Receipts from certain pension "funds" (net)... .. | 59 | 62 | 62 |
| Adjustments for accruals of— | | | |
| Taxes on expenditure | -17 | -20 | -20 |
| Subsidies | 8 | -5 | -5 |
| Miscellaneous | -63 | -3 | -3 |
| Net balance— | | | |
| Central government | 504 | 668 | 282 |
| Local authorities ⁽⁴⁾ | 276 | 301 | 301 |
| Public corporations ⁽⁴⁾ | 57 | -21 | -21 |
| Total | 837 | 948 | 562 |
| TOTAL | 3,306 | 3,623 | 3,623 |

⁽¹⁾ Excludes current expenditure on goods and services on operating account of public corporations and other public enterprises.

⁽²⁾ See note ⁽²⁾ on page 16.

⁽³⁾ Before allowing for depreciation and stock appreciation.

⁽⁴⁾ Excludes net borrowing from central government.

Financial Def

FIN DEF = CS. + (Cap T + TR) - Cap
Inc
29

OF PUBLIC SECTOR TRANSACTIONS—continued

£ million

| | 1965-66 | | 1966-67 Estimate | |
|--|------------------------|-----------------------------|----------------------------|--|
| | Provisional outturn | Before Budget changes | After Budget changes | |
| CURRENT EXPENDITURE | | | | |
| Current expenditure on goods and services ⁽¹⁾ — | | | | |
| Central government | 3,911 | 4,265 | 4,265 | |
| Local authorities | 2,096 | 2,231 | 2,231 | |
| Subsidies— | 6,007 | 6,496 | | |
| Central government | 505 | 505 | 505 | |
| Local authorities | 46 | 54 | 54 | |
| Current grants to persons, etc.— | | | | |
| Central government | 2,641 | 2,776 | 2,776 | |
| Local authorities | 190 | 208 | 208 | |
| Current grants abroad | 172 | 174 | 174 | |
| Total current expenditure excluding debt interest | 9,561 | 10,213 | 10,213 | |
| Debt interest | 1,421 | 1,558 | 1,558 | |
| Total current expenditure | 10,982 | 11,771 | 11,771 | |
| Current surplus ⁽³⁾ | 2,152 | 2,281 | 2,667 | |
| TOTAL | 13,134 | 14,052 | 14,438 | |
| CAPITAL EXPENDITURE | | | | |
| Gross domestic fixed capital formation— | | | | |
| Central government | 309 | 368 | 368 | |
| Local authorities | 1,207 | 1,355 | 1,355 | |
| Nationalised industries, etc. | 1,275 | 1,418 | 1,418 | |
| Other public corporations | 92 | 128 | 128 | |
| Increase in value of stocks— | | | | |
| Central government | 21 | 25 | 25 | |
| Nationalised industries, etc. | —8 | — | — | |
| Capital grants to private sector | 163 | 173 | 173 | |
| Net lending to private sector | 144 | 62 | 62 | |
| Net lending abroad for private industry, etc. | 10 | 5 | 5 | |
| Loans to overseas governments | 81 | 77 | 77 | |
| Drawings from United Kingdom subscriptions to international lending bodies | 12 | 12 | 12 | |
| TOTAL | 3,306 | 3,623 | 3,623 | |

Burroughs Reg

$$\left[\text{FD} - \text{NL} + \text{Unsc Rec} = \text{B'R} \right]$$

TABLE 12.—RECONCILIATION BETWEEN TOTAL SUPPLY EXPENDITURE
AND TOTAL PUBLIC EXPENDITURE

| | | | | | £ million | |
|--|-----|-----|-----|-----|------------------------|----------|
| | | | | | 1965-66 | 1966-67 |
| | | | | | Provisional outturn | Estimate |
| Total Supply Services (Table 4) | ... | ... | ... | ... | 7,140 | 7,728 |
| Less grants, etc., to local authorities | ... | ... | ... | ... | -1,349 | -1,511 |
| Less Exchequer contribution to National Insurance Funds | ... | ... | ... | ... | -297 | -303 |
| Plus National health contributions | ... | ... | ... | ... | 160 | 164 |
| Less other Vote payments not included as part of total public expenditure plus other Vote receipts not deducted | ... | ... | ... | ... | -41 | -19 |
| Adjustment for difference between cash issues from Exchequer and net expenditure by Departments | ... | ... | ... | ... | -4 | — |
| Vote element in total public expenditure | ... | ... | ... | ... | 5,609 | 6,059 |
| Other central government expenditure ⁽¹⁾ — | | | | | | |
| Consolidated Fund loans, etc. | ... | ... | ... | ... | 180 | 168 |
| National Insurance Funds (Great Britain) | ... | ... | ... | ... | 1,866 | 1,942 |
| Northern Ireland central government | ... | ... | ... | ... | 180 | 201 |
| Expenditure of local authorities (United Kingdom) ⁽¹⁾ — | | | | | | |
| Current expenditure | ... | ... | ... | ... | 2,332 | 2,493 |
| Gross domestic fixed capital formation | ... | ... | ... | ... | 1,207 | 1,355 |
| Other capital expenditure | ... | ... | ... | ... | 120 | 48 |
| Capital expenditure of public corporations— | | | | | | |
| Nationalised industries, etc. | ... | ... | ... | ... | 1,267 | 1,418 |
| Other public corporations... | ... | ... | ... | ... | 106 | 152 |
| TOTAL PUBLIC EXPENDITURE | ... | ... | ... | ... | 12,867 | 13,836 |

⁽¹⁾ Excluding transfers to other parts of the public sector.

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