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FINANCIAL STATEMENT 1967-68

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

Treasury Chambers,
11 April, 1967 } NIALl MACDERMOT

(Niall MacDermot)

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FINANCIAL STATEMENT 1967-68

FOREWORD

The form of the present Financial Statement follows the layout introduced two years ago and extended last year with the object of displaying more clearly the transactions relevant to the Budget.

Two further changes have been made this year. The reconciliation between total Supply expenditure and total public expenditure, which will in future appear in "Financial Statistics" published by the Central Statistical Office, has been replaced by a new table showing details of the capital transactions of the public sector (Table 12). Introductory notes to the national accounts classification tables and to the new table are now grouped together on pages 16 and 17.

TABLE 1.—PROPOSED CHANGES IN TAXATION

INLAND REVENUE

INCOME TAX

It is proposed to increase from £40 to £75 the additional personal allowance given to certain persons not entitled to housekeeper allowance who have single-handed responsibility for a child.

It is proposed to increase the dependent relative allowance from £75 to £110 in the case of single women (including widows and divorced or separated wives) who are the sole support of a dependent relative.

SURTAX

It is proposed to impose a 10 per cent surcharge on surtax for 1965–66 as announced on 20th July, 1966. The tax attributable to this surcharge will be payable on 1st September, 1967.

It is proposed that the rates of surtax for 1966–67 shall be the same as those originally charged for 1965–66, *i.e.*, ignoring the 10 per cent surcharge.

CORPORATION TAX

It is proposed to allow to a member of a group of companies relief for trading losses, management expenses or charges on income of another member of the group.

CORPORATION TAX AND INCOME TAX

It is proposed to provide that, where losses have been incurred in farming or market gardening for five successive years, further losses incurred in 1967–68 and subsequent years are not (subject to certain exceptions) to qualify for relief under Section 341 of the Income Tax Act, 1952 (or under Section 58 (2) of the Finance Act 1965).

It is proposed to introduce a rule specifying for the purposes of income tax and corporation tax what proportion of the investment income of life assurance companies is to be attributed to policy holders.

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

CAPITAL GAINS TAX

It is proposed to provide for the exclusion of development value from capital gains.

INCOME TAX, SURTAX, CORPORATION TAX AND CAPITAL GAINS TAX

It is proposed to increase the annual rate of interest charged on arrears of tax from 3 per cent to 4 per cent with effect from 19th April, 1967.

STAMP DUTIES

It is proposed to increase the rate of duty on the issue of loan capital from 2s. 6d. to 10s. per £100 and to extend the duty to certain classes of loan capital which are now exempt.

It is proposed to exempt local authority stocks and bonds from duty on issue or transfer.

It is proposed to exempt from duty under the heading "bearer instrument", instruments relating to stock or securities expressed in currencies other than those of countries in the sterling area.

It is proposed to increase to £5,500 and £7,000 respectively the limits for exemption from transfer duty and for the reduced rate of transfer duty ($\frac{1}{2}$ per cent ad valorem) on transfers of property other than stocks and marketable securities.

These proposals will take effect from 1st August, 1967.

MINERAL RIGHTS DUTY

It is proposed to repeal the mineral rights duty for financial years ending after 31st March, 1967.

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

CUSTOMS AND EXCISE

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.

It is proposed to withdraw the surcharge of 10 per cent imposed under the Surcharge on Revenue Duties Order 1966 on the purchase tax and on the duties on spirits, beer, wine, British wine and hydrocarbon oils; and to increase the substantive rates of tax and duty so as broadly to maintain the total Revenue yield. This change will take effect from 6 p.m. on 11th April, 1967, in the case of hydrocarbon oils, and on 12th April, 1967, in the other cases.

Purchase tax. It is accordingly proposed that goods chargeable at the existing rates of 10 per cent, 15 per cent and 25 per cent shall be chargeable at the rates of 11 per cent, 16½ per cent and 27½ per cent respectively.

Spirits, beer, wine, British wine and hydrocarbon oils. The existing rates of duty (exclusive of the surcharge) and the proposed rates are as follows:—

	Existing rates ⁽¹⁾						Proposed rates					
	Customs			Excise			Customs			Excise		
	Full		Preferential ⁽²⁾				Full		Preferential ⁽²⁾			
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
SPIRITS (other than perfumed spirits)—	per proof gallon						per proof gallon					
(a) not comprised below ...												
(i) if warehoused 3 years or more ...	14	14	6	14	12	0	14	12	0	16	3	9
(ii) otherwise ...	14	16	0	14	13	6	14	13	6	16	5	3
(b) imported liqueurs, cordials, mixtures and other preparations in bottle, entered in such a manner as to indicate that the strength is not to be tested ...	per liquid gallon						per liquid gallon					
(i) if warehoused 3 years or more ...	19	18	0	19	14	6	—	—	—	21	17	0
(ii) otherwise ...	20	0	0	19	16	6	—	—	—	21	19	0
BEER—	per 36 gallons						per 36 gallons					
For the first 1,030 degrees (or less) of original gravity ...	9	11	2	8	11	2	8	11	0	10	8	8
For each additional degree of gravity above 1,030 degrees	—	7	3½	—	7	3½	—	7	3½	—	8	0

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

	Existing rates ⁽¹⁾			Proposed rates		
	Customs		Excise	Customs		Excise
	Full	Preferential ⁽²⁾		Full	Preferential ⁽²⁾	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
WINE (Customs) and BRITISH WINE (Excise)—	per gallon			per gallon		
Light wine ⁽³⁾ —						
(a) Still						
(i) not in bottle ...	— 18 6	— 16 6	} — 16 0	1 0 3	— 18 3	} — 17 9
(ii) in bottle ...	1 1 0	— 18 0		1 2 9	— 19 9	
(b) Sparkling ...	1 11 0	1 9 0	1 2 0	1 12 9	1 10 9	1 3 9
Other wine—						
(a) Still						
(i) not in bottle ...	1 16 6	1 6 6	} — 17 0	1 19 3	1 9 3	} — 19 9
(ii) in bottle ...	1 19 0	1 8 0		2 1 9	1 10 9	
(b) Sparkling ...	2 9 0	1 19 0	1 3 0	2 11 9	2 1 9	1 5 9
For each degree or fraction of a degree above 42 degrees, an additional ...	— 3 1	— 2 3	—	— 3 3	— 2 5	—
HYDROCARBON OILS—	s. d. per gallon			s. d. per gallon		
Light oils and heavy oils used as road fuel; petrol substitutes and power methylated spirits ...	3 3			3 7		
Other heavy oils ...	— 2			— 2·2		

(1) The existing rates of duty shown do not include the surcharge of 10 per cent imposed under the Surcharge on Revenue Duties Order 1966.

(2) For wine, the Preferential rate of Customs duty applies to goods from the Commonwealth preference area; for spirits and beer it applies also to goods of EFTA origin.

(3) Light wine means wine not exceeding 27 degrees proof spirit for wine liable to Preferential or Excise rates of duty, and not exceeding 25 degrees for wine liable to Full rates.

In the case of imported perfumed spirits, and in the case of spirits used for scientific purposes or imported in or used for the manufacture of recognised medical preparations, it is proposed to withdraw the 10 per cent surcharge, but to make no increase in the substantive rates of duty.

Manufacturers' licences. It is proposed to replace the graduated rates of duty on brewers', beer primers', distillers' and tobacco manufacturers' licences by a flat rate of £15 15s. 0d. a year. This rate will apply to all such licences taken out for the first time, or renewed on expiry of the period of their validity, after 11th April, 1967.

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

Retail liquor licences. It is proposed to abolish, with effect from 1st October, 1967, the requirement that an excise licence must be held to sell liquor by retail or supply it in registered clubs. No charge will be made for licences issued after 11th April, 1967. (The requirement to hold a justices' licence, licensing court certificate or club registration certificate will continue).

Overseas visitors' motor vehicles. It is proposed to amend Section 23 of the Purchase Tax Act, 1963, so as to remove certain restrictions in the arrangements under which overseas visitors and emigrants may acquire a British motor vehicle for use in the United Kingdom free of purchase tax prior to exportation.

SELECTIVE EMPLOYMENT TAX

It is proposed to amend the Selective Employment Payments Act 1966, so as to provide, in cases where refund or premium is not otherwise payable, a refund equal to (a) half the weekly tax paid for an adult employee who normally works less than twenty-one hours a week for the employer and has done so in the contribution week concerned, and (b) the weekly tax paid for an employee abroad, apart from that paid for the first thirteen weeks of employment abroad. These refunds would not in general be payable to employers in the public sector except in relation to employments covered by Part II of Schedule 1 to the principal Act. The scheme would be operated by the Ministry of Social Security and take effect from 4th September, 1967.

TABLE 2.—ESTIMATED EFFECTS OF CHANGES IN TAXATION

	£ million	
	Estimate for 1967-68	Estimate for a full year
INLAND REVENUE		
<i>Income tax—</i>		
Increase of additional personal allowance from £40 to £75	-1½	-1¾
Increase of dependent relative allowance in certain cases from £75 to £110	-1½	-2
<i>Stamp duties—</i>		
Increase of rate of duty on issue of loan capital to ½ per cent and extension of the scope of the duty	+4½	+6
Exemption of local authority stocks and bonds	-1½	-2
Reduction of certain rates of stamp duty on conveyances of property other than stocks and marketable securities	-2½	-3½
TOTAL INLAND REVENUE	-2½	-3½
CUSTOMS AND EXCISE		
Spirits, beer and wine	+¼	+¼
Hydrocarbon oils	+1¾	+1¾
Purchase tax	Nil	Nil
Manufacturers' licences	Negligible	Negligible
Retail liquor licences	-¾	-¾
TOTAL CUSTOMS AND EXCISE	+1¼	+1¼
SELECTIVE EMPLOYMENT TAX		
Refunds to certain employers in respect of part-time and overseas employees	-4¼*	-10
Total	-5½	-12

* This change is reflected in additional Supply expenditure in 1967-68—see Tables 4 and 8.

TABLE 3.—TAXATION AND MISCELLANEOUS RECEIPTS

£ million

	1966-67		1967-68 Estimate	
	Budget Estimate	Outturn	Before Budget changes	After Budget changes
TAXATION				
<i>Inland Revenue—</i>				
Income Tax	3,600	3,246	3,810	3,807
Surtax	248	242	250*	250*
Profits Tax	95	85	20	20
Corporation Tax	1,000	1,034	1,260	1,260
Capital Gains Tax	5	7	5	5
Death Duties	310	301	300	300
Stamp Duties	80	76	80	81
<i>Total Inland Revenue</i>	<i>5,338</i>	<i>4,991</i>	<i>5,725</i>	<i>5,723</i>
<i>Customs and Excise—</i>				
Tobacco	1,030	1,023 ⁶⁸⁵	1,020	1,020
Purchase Tax	670†	686 ⁶⁸⁵	735	735
Oil	830†	887	948	950
Spirits, Beer and Wine	646†	687	718	718
Betting and Gaming	43	50	70	70
Other Revenue Duties	12	12	11	10
Import Duties Act, 1958	188	179	184	184
Temporary Charge on Imports	90	88	—3	—3
Less: Export Rebates, etc.	—76	—76	—83	—83
<i>Total Customs and Excise</i>	<i>3,433†</i>	<i>3,536</i>	<i>3,600</i>	<i>3,601</i>
Motor Vehicle Duties	263	261	270	270
Less: Export Rebates, etc.	—18	—17	—15	—15
	245	244	255	255
Selective Employment Tax (gross)	610‡	600	1,100	1,100
TOTAL TAXATION	9,626	9,371	10,680	10,679
MISCELLANEOUS RECEIPTS				
Interest and Dividends	595	610	710	710
Broadcast Receiving Licences	73	74	75	75
Other	225	224	240	240
Total	10,519	10,279	11,705	11,704

* Including £25 million from the proposed 10 per cent surcharge to be levied on surtax liabilities for 1965-66 for payment on 1st September, 1967.

† After allowing for the 10 per cent revenue surcharge which came into effect on 21st July, 1966, these estimates became: Purchase tax, £688 million; Oil, £880 million; Spirits, beer and wine, £672 million; total Customs and Excise, £3,527 million.

‡ In the Financial Statement 1966-67, the Budget estimates included £315 million as the net yield expected from the Selective Employment Tax after allowing for refunds, premium payments, etc., forming part of Supply expenditure. For purposes of comparison, the gross figures from which this estimate of the net yield in 1966-67 was derived have been included in the first column of Tables 3 and 4 and the totals have been revised accordingly. The approximate net yield from S.E.T. in 1966-67 and the corresponding estimate for 1967-68 are shown in the following summary:—

Gross yield	610	600	1,100	1,100
Less: Refunds, premium payments, etc.	295	342	920	924
Net yield	315	258	180	176

TABLE 4.—SUPPLY SERVICES AND CONSOLIDATED FUND
STANDING SERVICES

£ million

	1966-67		1967-68
	Budget Estimate	Outturn	Estimate
SUPPLY SERVICES*			
<i>Defence Budget—</i>			
Defence—(Central)	20	30	21
(Navy)	597	586	621
(Army, etc.)	566	573	591
(Air)	545	514	545
Ministry of Technology	273	240	245
Ministry of Public Building and Works	163	167	176
Atomic Energy Authority	5	5	6
<i>Total Defence Budget</i>	<i>2,169</i>	<i>2,115</i>	<i>2,205</i>
<i>Other Supply—</i>			
I. Government and Exchequer	178	166	199
II. Commonwealth and Foreign	219	262	255
III. Home and Justice	191	194	207
IV. Industry, Trade and Transport	621	897	1,616†
V. Agriculture	326	282	367
VI. Local Government, Housing and Social Services	3,223	3,378	3,882
VII. Education and Science	453	462	409
VIII. Museums, Galleries and the Arts	12	12	14
IX. Public Buildings and Common Governmental Services	214	218	231
X. Smaller Public Departments	9	9	8
XI. Miscellaneous	108	109	110
Defence (Army) Purchasing (Repayment) Services	5	4	—
<i>Total Other Supply</i>	<i>5,559</i>	<i>5,993</i>	<i>7,298</i>
Provision in the 1966-67 Budget for S.E.T. refunds, premium payments, etc.	295‡	—	—
TOTAL SUPPLY SERVICES	8,023	8,108	9,503§
CONSOLIDATED FUND STANDING SERVICES			
Interest on and management of National Debt	1,260	1,238	1,345
Northern Ireland—share of reserved taxes, etc.	160	164	185
Payments arising from war-time liabilities—			
War Damage	3	2	2
Post-war credits (including interest)	17	17	17
Miscellaneous	9	12	11
Total	9,472	9,541	11,063

* For purposes of comparison with 1967-68, the 1966-67 figures have been adjusted to take account of transfers between Votes.

† Includes £166 million for Investment Grants.

‡ See the footnote ‡ to Table 3 which gives the corresponding totals for the provisional outturn of S.E.T. refunds, premium payments, etc., in 1966-67 and the Budget estimate for 1967-68 (these totals are allocated to the separate headings for Supply Services in the above table).

§ This total becomes £9,507 million after allowing for the estimated effect of the proposed changes in refunds of Selective Employment Tax in 1967-68—see Table 2.

TABLE 5.—CONSOLIDATED FUND LOANS TO INDUSTRY

£ million

	1966-67		1967-68
	Budget Estimate	Outturn	Estimate
<i>Loans to Nationalised Industries (net)—</i>			
Post Office	159	130	170
National Coal Board	7	43	10
Electricity Council	426	397	411
North of Scotland Hydro-Electric Board	24	21	8
South of Scotland Electricity Board	35	22	39
Gas Council	135	164	225
British Overseas Airways Corporation	—3*	—3*	—3*
British European Airways Corporation	7	6	18
British Airports Authority	2	—	6
British Railways Board	20	10	10
London Transport Board	30	19	20
British Transport Docks Board	9	4	12
British Waterways Board	—	—	1
Transport Holding Company	10	—	10
Less: estimated shortfall on borrowing	—96	—	—100
National Steel Corporation	—	—	75
<i>Loans to Private Industry—</i>			
Ship Credit Scheme (net)	—1*	—1*	—6*
Total	764	812	906

* Net repayment.

Note.—Further details of these items are contained in the White Paper on Loans from the Consolidated Fund, 1967-68 (Cmnd. 3243).

TABLE 6.—OTHER CONSOLIDATED FUND LOANS

£ million

Receipts				Payments		
1966-67		1967-68		1966-67		1967-68
Budget Estimate	Outturn	Estimate		Budget Estimate	Outturn	Estimate
			<i>Loans to Local Authorities and other Public Bodies</i>			
—	—	—	Local Authorities (through Local Loans Fund) (net) ...	398	518	480
—	—	—	Northern Ireland Exchequer (net) ...	12	22	25
2	2	2	New Towns—Development Corporations and Commission ...	61	64	87
—	—	—	Scottish Special Housing Association (net) ...	8	7	9
—	—	—	Housing Corporation ...	11	6	13
—	—	—	Harbour Authorities ...	15	13	20
—	—	—	Covent Garden Market Authority ...	1	—	—
—	—	—	Sugar Board (net) ...	—	5	—
—	—	—	Land Commission ...	—	—	6
—	—	—	Industrial Reorganisation Corporation ...	20	—	20
—	—	—	Shipbuilding Industry Board ...	—	—	15
—	—	15	Iron and Steel Holding Realisation Agency ...	—	—	—
			<i>Loans for Overseas Assistance</i>			
2	2	2	Colonial Governments ...	3	2	1
—	—	—	Commonwealth Development Corporation (net) ...	3	2	7
20	20	19	Export Guarantees Acts ...	47	32	20
			<i>Other Advances and Repayments</i>			
—	—	—	Married quarters for Armed Forces (net) ...	15	15	13
—	—	—	Housing Associations ...	7	6	6
3	3	3	Building Societies ...	—	—	—
4	3	3	Town and Country Planning compensation ...	—	—	—
—	—	4	Redundancy Fund (net) ...	—	4	—
31	30	48	Totals ...	601	696	722
			Total (net) ...	570	666	674

Note.—Further details of these items are contained in the White Paper on Loans from the Consolidated Fund, 1967-68 (Cmd. 3243).

TABLE 7.—EXCHEQUER BORROWING AND SPECIAL TRANSACTIONS

								£ million	
								1966-67 Outturn	
								Receipts	Payments
EXCHEQUER BORROWING:									
Marketable securities:									
New Issues:									
6 $\frac{3}{4}$ % Exchequer Loan, 1971	...	...	...	...	...	...	...	695	—
6 $\frac{1}{4}$ % Exchequer Loan, 1972	...	...	...	...	...	...	...	394	—
6 $\frac{1}{2}$ % Funding Loan, 1985-87	...	...	...	...	...	...	...	494	—
6 $\frac{3}{4}$ % Treasury Loan, 1995-98	...	...	...	...	...	...	...	390	—
Redemptions:									
5 $\frac{1}{2}$ % Exchequer Stock, 1966	...	...	...	...	...	...	...	—	2
4 $\frac{1}{2}$ % British Overseas Airways Stock, 1965-66	...	...	...	...	...	...	...	—	15
Statutory Sinking Funds	...	...	...	...	...	...	...	—	44
Terminable Annuities (National Debt Commissioners)	...	...	...	...	...	...	...	—	81
National Savings Securities (net):									
National Savings Certificates	...	...	...	...	...	...	...	60	—
Defence Bonds	...	...	...	...	...	...	...	—	171
National Development Bonds	...	...	...	...	...	...	...	38	—
Premium Savings Bonds	...	...	...	...	...	...	...	41	—
National Savings Stamps and Gift Tokens	...	...	...	...	...	...	...	—	2
Tax Reserve Certificates (net)	...	...	...	...	...	...	...	97	—
Floating Debt (net)	...	...	...	...	...	...	...	—	1,267
Other Debt—payable in sterling:									
Interest-free notes (net)	...	...	...	...	...	...	...	—	29
Other	...	...	...	...	...	...	...	—	1
Other Debt—payable in external currencies	...	...	...	...	...	...	...	27	—
SPECIAL TRANSACTIONS:									
Decrease in sterling capital of the Exchange Equalisation Account	...	...	...	...	...	...	...	200	—
Issue to the Civil Contingencies Fund (net)	...	...	...	...	...	...	...	—	20
Contribution to the International Development Association	...	...	...	...	...	...	...	—	11
Subscription to the Asian Development Bank	...	...	...	...	...	...	...	—	1
Purchase of United States military aircraft (net issues)	...	...	...	...	...	...	...	—	52
								2,436	1,696
Balance of Receipts over Payments								740	

TABLE 8.—SUMMARY OF EXCHEQUER RECEIPTS AND ISSUES

£ million

	1966-67		1967-68 Estimate	
	Budget* Estimate	Outturn	Before Budget changes	After Budget changes
REVENUE (Table 3)				
Taxation	9,626	9,371	10,680†	10,679†
Miscellaneous Receipts	893	908	1,025	1,025
TOTAL	10,519	10,279	11,705	11,704
EXPENDITURE (Table 4)				
Supply Services	8,023	8,108	9,503	9,507‡
Consolidated Fund Standing Services	1,449	1,433	1,560	1,560
TOTAL	9,472	9,541	11,063	11,067
SURPLUS	1,047	738	642	637
CONSOLIDATED FUND LOANS (NET):				
To Industry (Table 5)	764	812	906	906
Other (Table 6)	570	666	674	674
TOTAL	1,334	1,478	1,580	1,580
EXCHEQUER BORROWING AND SPECIAL TRANSACTIONS (NET) (Table 7) ...				
	287	740	938	943
LENDING MET FROM SURPLUS	1,047	738	642	637

* As explained in the footnotes ‡ to Tables 3 and 4, for the purposes of comparison the net yield of £315 million from the Selective Employment Tax included in the Budget Estimate 1966-67 has been replaced by the gross estimate of £610 million from the tax receipts and £295 million has been included in Supply Services for refunds of the tax, premium payments, etc. The Budget estimates of total revenue and expenditure in 1966-67 have been revised accordingly, but this change does not affect the estimates of the surplus and the amount of Exchequer borrowing and special transactions which remain as in the Financial Statement 1966-67 (H.C. 32—3rd May, 1966).

† See footnote * to Table 3.

‡ After allowing for the estimated effect of the proposed changes in refunds of Selective Employment Tax in 1967-68—see Table 2.

NATIONAL ACCOUNTS CLASSIFICATION OF PUBLIC SECTOR TRANSACTIONS

INTRODUCTION TO TABLES

The following tables provide a national accounts classification of current and capital transactions of the central government and of the public sector as a whole.

Table 9 gives the national accounts classification of central government transactions.

Table 10 provides a reconciliation in two parts, (a) current transactions and (b) financing transactions, between Table 9 and the Summary of Exchequer Transactions (Table 8). Part (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. Part (b) starts with Exchequer borrowing and special transactions (net), the final balancing item in Table 8, and ends with the net balance which closes Table 9.

Table 11 is a consolidated table of current and capital transactions of central government, local authorities and public corporations, which extends to the public sector as a whole the presentation given in Table 9 for central government. Comparable items for each of the three sub-sectors have been added together, but internal transfers from one sub-sector to another, such as grants and loans from central government to local authorities, have been omitted.

It should be noted 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 a different character from these for central government, since they are not directly related to an authorisation by Parliament.

Table 12 shows in summary form, for the whole of the public sector and for each sub-sector, how the capital expenditure in Table 11 is financed.

A fuller explanation of the content and definition of the items in these tables is given in "National Income Statistics—Sources and Methods" and in the notes to the Blue Book "National Income and Expenditure, 1966", published by Her Majesty's Stationery Office.

NATIONAL ACCOUNTS CLASSIFICATION OF PUBLIC SECTOR TRANSACTIONS

INTRODUCTION TO TABLES—*continued*

PUBLIC SECTOR EXPENDITURE

In Tables 9 to 12 the provisional outturn for public sector expenditure in 1966-67 is expressed at current prices. The estimates for 1967-68 are on a price basis which for most of central government and directly related expenditure corresponds to that used for the Estimates of Supply Services and for the remainder corresponds to the price levels of early 1967. After allowing for shortfall, the increase at constant prices in public sector expenditure on goods and services in 1967-68 over the outturn in 1966-67 is estimated as follows:

						Percentage
Current expenditure on goods and services ...	...	...	...	...	...	5
Gross domestic fixed capital formation ...	...	...	...	...	...	8½
of which:						
Economic services ...	...	...	...	...	...	10
Social services ...	...	...	...	...	...	6

TABLE 9.—NATIONAL ACCOUNTS CLASSIFICATION

	1966-67		1967-68 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	4,883	4,547	5,270	5,267
National insurance contributions ⁽²⁾ ...	1,664	1,661	1,723	1,723
National health contributions ...	169	168	165	165
Taxes on expenditure ⁽³⁾	4,278	4,336	4,499	4,497
Gross trading income ⁽⁴⁾	21	9	18	18
Gross rental income ⁽⁴⁾	104	94	90	90
Interest on loans to—				
Local authorities	176	182	212	212
Public corporations	376	376	457	457
Other interest, dividends, etc. ...	126	142	149	149
TOTAL	11,797	11,515	12,583	12,578
CAPITAL RECEIPTS				
Current surplus ⁽⁴⁾	1,415	1,149	1,185	1,180
Taxes on capital	317	310	324	324
Loan repayments from overseas govern- ments	33	33	30	30
Receipts from certain pension "funds" (net)	62	62	56	56
Adjustments for accruals of—				
Taxes on expenditure	—20	—5	—10	—10
Subsidies	—5	5	5	5
Net borrowing by Northern Ireland central government	15	25	3	3
Miscellaneous capital transactions (net) including changes in cash balances ...	—8	—31	11	11
Net balance—				
Increase in net indebtedness to Bank of England Banking Department		23		
Increase in notes and coin in circulation		125		
Increase in non-marketable debt—				
National savings		—213		
Tax reserve certificates ...		99		
Net receipts from market trans- actions		609		
Direct borrowing (net) from over- seas governments and institutions		—29		
Net change in gold and foreign currency reserves (increase —) ...		112		
Total⁽⁸⁾	282	726	1,110	1,115
TOTAL	2,091	2,274	2,714	2,714

⁽¹⁾ Some of the figures differ from those given in Table 9 of the Financial Statement 1966-67 (H.C. 32—3 May, 1966), because of subsequent changes in the national accounts classification of Selective Employment Tax transactions and of some other items.

⁽²⁾ Includes Redundancy Fund contributions.

⁽³⁾ Includes Selective Employment Tax.

⁽⁴⁾ Before allowing for depreciation and stock appreciation.

⁽⁵⁾ Includes £11 million for Investment Grants.

⁽⁶⁾ Includes £155 million for Investment Grants.

⁽⁷⁾ Includes Exchequer advances to the Industrial Reorganisation Corporation.

⁽⁸⁾ The net balance, if borrowing for on-lending to local authorities and public corporations were excluded, would be

—1,034

—764

—521

—516

OF CENTRAL GOVERNMENT TRANSACTIONS

£ million

	1966-67		1967-68 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services	4,299	4,210	4,570	4,570
Debt interest	1,110	1,090	1,176	1,176
Subsidies	532	539	679	679
Current grants to—				
Local authorities	1,487	1,524	1,706	1,706
Persons and private non-profit making bodies	2,780	2,823	3,085	3,085
Abroad	174	180	182	182
Total current expenditure	10,382	10,366	11,398	11,398
Current surplus ⁽⁴⁾	1,415	1,149	1,185	1,180
TOTAL	11,797	11,515	12,583	12,578
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation	368	355	442	442
Increase in value of stocks	25	26	31	31
Capital grants to—				
Local authorities	94	86	123	123
Public corporations	1	2	13 ⁽⁵⁾	13 ⁽⁵⁾
Private sector	171	172	372 ⁽⁶⁾	372 ⁽⁶⁾
Net lending to—				
Local authorities	432	569	532	532
Public corporations	884 ⁽⁷⁾	921 ⁽⁷⁾	1,099 ⁽⁷⁾	1,099 ⁽⁷⁾
Private sector at home	19	15	5	5
Cash expenditure on acquiring company securities (net)	10	16	—	—
Loans to overseas governments	77	100	84	84
Drawings from United Kingdom subscriptions to international lending bodies	12	13	13	13
Net lending abroad for private industry, etc.	—2	—1	—	—
TOTAL	2,091	2,274	2,714	2,714

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

(a) Current Transactions

£ million

	Receipts		Expenditure		Net ⁽¹⁾	
	1966-67 Provi- sional outturn	1967-68 Estimate after Budget changes	1966-67 Provi- sional outturn	1967-68 Estimate after Budget changes	1966-67 Provi- sional outturn	1967-68 Estimate after Budget changes
<i>Exchequer revenue and expenditure—</i>						
Taxation and miscellaneous receipts	10,279	11,704	—	—	10,279	11,704
Supply services and Consolidated Fund standing services	—	—	9,541	11,067	—9,541	—11,067
<i>Reconciliation with National Accounts Classification—</i>						
<i>Coverage differences—</i>						
Internal transfers between Exchequer and Depart- ments (Vote Services) ⁽²⁾	—132	—137	—47	89	—85	—226
British Broadcasting Corporation ⁽³⁾	—73	—75	—73	—75	—	—
Current transactions of extra-Exchequer bodies ⁽⁴⁾ —						
National Insurance Funds (Great Britain), trans- actions—						
With Exchequer	—	—	—365	—362	365	362
Outside central government	1,653	1,698	2,020	2,126	—367	—428
Other (including Northern Ireland central govern- ment), transactions—						
With Exchequer	—15	—18	—222	—273	207	255
Outside central government	109	153	193	213	—84	—60
<i>Difference in treatment of current receipts—</i>						
Less Exchequer receipts netted off current expendi- ture in national accounts classification ⁽⁵⁾ ...	—13	—8	—13	—8	—	—
Plus current receipts netted off expenditure in Exchequer classification ⁽⁶⁾ —						
National health contributions	163	160	163	160	—	—
Other items	—190	—611	—190	—611	—	—
<i>Deduction of capital and financial items in—</i>						
Exchequer revenue—						
Receipts netted off capital expenditure in national accounts classification	—22	—19	—	—	—22	—19
Taxes on capital and other non-current receipts	—327	—341	—	—	—327	—341
Supply services (chiefly gross domestic fixed capital formation and capital grants)	—	—	—652	—953	652	953
Consolidated Fund standing services	—	—	—6	—5	6	5
<i>Differences in basis of recording—</i>						
Accrued interest on National Savings Certificates	—	—	—46	—37	46	37
Accruals of taxes on expenditure and of subsidies	5	10	5	5	—	5
Other items ⁽⁷⁾	78	62	58	62	20	—
Current receipts and expenditure as in National Accounts Classification	11,515	12,578	10,366	11,398	1,149	1,180

⁽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	
	1966-67	1967-68
	Provisional outturn	Estimate after Budget changes
Exchequer borrowing and special transactions (net)	740	943
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)	34	} 14
National Insurance Funds	4	
Local Loans Fund	2	
Issue Department surplus income	—50	
Plus increase in coin in circulation	14	12
Plus U.S. credit for purchase of military aircraft	52	176
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.)	13	13
Accrued interest on National Savings Certificates	—46	—37
Miscellaneous	—37	—6
Central government net balance	726	1,115

TABLE 11.—NATIONAL ACCOUNTS CLASSIFICATION

	1966-67		1967-68 Estimate	
	Budget Estimate (¹)	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	4,874	4,541	5,257	5,254
National insurance contributions(³)	1,664	1,661	1,723	1,723
National health contributions	169	168	165	165
Taxes on expenditure, central government(⁴) ...	4,278	4,336	4,499	4,497
Local rates	1,430	1,422	1,501	1,501
Gross trading income(⁵)—				
Central government and local authorities ...	99	93	106	106
Public corporations	1,080	1,048	1,177	1,177
Gross rental income(⁵)	706	763	848	848
Interest, dividends, etc.	244	259	275	275
TOTAL	14,544	14,291	15,551	15,546
CAPITAL RECEIPTS				
Current surplus(⁵)	2,681	2,271	2,437	2,432
Taxes on capital	317	310	324	324
Capital transfers	10	9	9	9
Loan repayments from overseas governments ...	33	33	30	30
Receipts from certain pension "funds" (net) ...	62	62	56	56
Adjustments for accruals of—				
Taxes on expenditure	—20	—5	—10	—10
Subsidies	—5	5	5	5
Miscellaneous capital transactions (net) including changes in cash balances	—75	—67	—79	—79
Net balance—				
Central government	282	726	1,110	1,115
Local authorities(⁷)	383	349	388	388
Public corporations(⁷)	—15	—2	8	8
Total	650	1,073	1,506	1,511
TOTAL	3,653	3,691	4,278	4,278

(¹) Some of the figures differ from those given in Table 11 of the Financial Statement 1966-67 (H.C. 32—3 May, 1966), because of changes in the classification of Selective Employment Tax transactions and of some other items.

(²) Excludes current expenditure on goods and services on operating account of public corporations and other public enterprises.

(³) Includes Redundancy Fund contributions.

(⁴) Includes Selective Employment Tax.

(⁵) Before allowing for depreciation and stock appreciation.

(⁶) Includes £155 million for Investment Grants.

(⁷) Excludes net borrowing from central government.

OF PUBLIC SECTOR TRANSACTIONS

£ million

	1966-67		1967-68 Estimate	
	Budget Estimate (1)	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services ⁽²⁾ —	<i>+61</i> 4,299	4,210	<i>+6</i> 4,570	4,570
Central government	2,258	2,345	2,495	2,495
Local authorities	1,558	1,632	1,806	1,806
Debt interest				
Subsidies—				
Central government	532	539	679	679
Local authorities	54	77	64	64
Current grants to persons, etc.—				
Central government	2,780	2,823	3,085	3,085
Local authorities	208	214	233	233
Current grants abroad	174	180	182	182
Total current expenditure	11,863	12,020	13,114	13,114
Current surplus ⁽⁵⁾	2,681	2,271	2,437	2,432
TOTAL	14,544	14,291	15,551	15,546
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation—		<i>15492</i>	<i>17196</i>	<i>17196</i>
Central government	368	355	442	442
Local authorities	1,355	1,350	1,500	1,500
Nationalised industries, etc.	1,418	1,430	1,609	1,609
Other public corporations	128	92	125	125
Increase in value of stocks—				
Central government	25	26	31	31
Nationalised industries, etc.	—	25	—19	—19
Capital grants to private sector	193	194	394 ⁽⁶⁾	394 ⁽⁶⁾
Net lending to private sector	62	56	42	42
Cash expenditure on acquiring company securities (net)	10	44	48	48
Loans to overseas governments... ..	77	100	84	84
Drawings from United Kingdom subscriptions to international lending bodies	12	13	13	13
Net lending abroad for private industry, etc.	5	6	9	9
TOTAL	3,653	3,691	4,278	4,278

18311 *E* *2375* *161*
17196 *2476*
15879 *17926*
16098
2540 *2575*
+35

TABLE 12.—CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

£ million

	1966-67 Provisional outturn	1967-68 Estimate	
		Before Budget changes	After Budget changes
CAPITAL EXPENDITURE			
Central government	696	947 ⁽¹⁾	947 ⁽¹⁾
Local authorities	1,403	1,526	1,526
Public corporations	1,592	1,805	1,805
TOTAL (as in Table 11)	3,691	4,278	4,278
of which ⁽²⁾ :			
Economic services	1,901	2,318 ⁽¹⁾	2,318 ⁽¹⁾
Social services	1,488	1,624	1,624
Other	302	336	336
FINANCED BY:			
Saving ⁽³⁾	2,271	2,437	2,432
Miscellaneous capital transactions (net)	345	343	343
Central government borrowing requirement ⁽⁴⁾	726	1,110	1,115
Local authority net borrowing from non-government sources	349	388	388
TOTAL	3,691	4,278	4,278
ANALYSIS OF FINANCING BY SUB-SECTOR			
<i>Central government</i>			
Saving ⁽³⁾	1,149	1,185	1,180
Taxes on capital	310	324	324
Miscellaneous capital transactions (net)	89	95	95
Less: Capital grants to local authorities and public corporations	-88	-136	-136
Less: Net lending to local authorities and public corporations	-1,490	-1,631	-1,631
Borrowing requirement ⁽⁴⁾	726	1,110	1,115
TOTAL CAPITAL EXPENDITURE	696	947	947
<i>Local authorities</i>			
Saving ⁽³⁾	460	576	576
Capital grants from central government	86	123	123
Miscellaneous capital transactions (net) ⁽⁵⁾	-61	-93	-93
Net borrowing from central government	569	532	532
Net borrowing from other sources	349	388	388
TOTAL CAPITAL EXPENDITURE	1,403	1,526	1,526
<i>Public corporations</i>			
Saving ⁽³⁾	662	676	676
Capital grants from central government	2	13	13
Miscellaneous capital transactions (net)	7	17	17
Net borrowing from central government	921	1,099	1,099
TOTAL CAPITAL EXPENDITURE	1,592	1,805	1,805

⁽¹⁾ Includes £155 million for Investment Grants.⁽²⁾ Economic services include roads, transport, industry and trade, agriculture, research and the nationalised industries. Social services include education, health and welfare, housing, environmental services, police and prisons. Other services include defence, aid programme, etc.⁽³⁾ This is the current surplus in the current accounts 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.⁽⁴⁾ This is the net balance in Table 9 and is equal to central government borrowing adjusted for changes in holdings of gold and foreign currency reserves.⁽⁵⁾ Includes unidentified transactions.Printed in England and published by
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