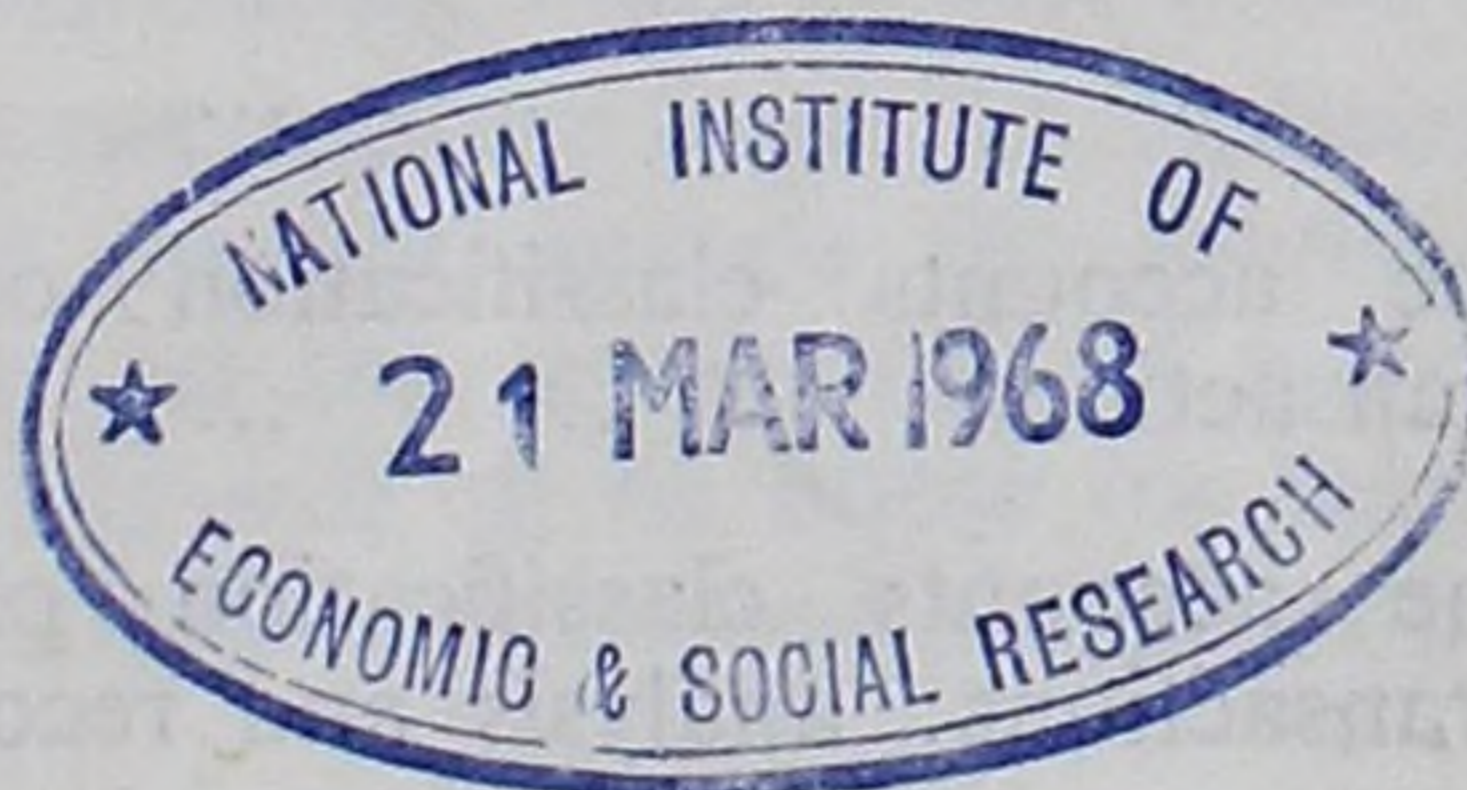


Financial Statement 1968-69

RETURN to an Order of The House of Commons dated 19 March, 1968:—for

COPY of FINANCIAL STATEMENT as laid before the House by the
CHANCELLOR OF THE EXCHEQUER when opening the BUDGET

Treasury Chambers,
19 March, 1968 } HAROLD LEVER



Ordered by The House of Commons to be Printed
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FINANCIAL STATEMENT 1968-69

FOREWORD

The layout and content of the present Financial Statement differ in three main respects from the form used in recent years. This note sets out briefly the principal changes.

2. First, the tables in Part I of the Statement have been recast to take account of the changes introduced by the National Loans Act 1968. Broadly the effect of this Act, which comes into force on the 1st April, 1968, is to remove from the Consolidated Fund most of the Government's domestic lending and the whole of the Government's borrowing transactions and to provide for them to be brought to account in a new National Loans Fund. Revenue from taxation and miscellaneous receipts, including interest and dividends on loans made from Votes, will continue to be paid into the Consolidated Fund (Table 4). After meeting the ordinary expenditure on Supply Services and the Consolidated Fund Standing Services (Table 5) the surplus on the Consolidated Fund (summary Table 3) is payable into the National Loans Fund.

3. Table 6 provides a summary of the transactions of the National Loans Fund. The service of the national debt, previously borne on the Consolidated Fund, will in future be met from the new Fund which will receive (a) interest payable on loans to the nationalised industries, local authorities and other bodies, whether the loans are made before or after the 1st April, 1968, and (b) the profits of the Issue Department of the Bank of England, mainly derived from interest on Government securities, which were formerly paid into the Exchange Equalisation Account. The net cost of servicing the national debt after applying these interest receipts and similar items will be a charge on the Consolidated Fund as part of the Standing Services (Table 5).

4. An analysis of the net lending from the National Loans Fund is provided in Table 7. These items do not include the loans previously made from the Consolidated Fund as part of the programme of overseas aid and development; as from 1968-69 these loans will all be borne on Supply Votes. Further details of the loans from the National Loans Fund are given in the separate White Paper (Cmnd. 3565).

5. Although the new accounting arrangements do not come into operation until the 1st April, 1968, the figures in Part I and in Table 9 of Part II of the Financial Statement relating to 1967-68 have been adjusted so as to bring them, as far as possible, on to the new basis.

6. Secondly, in Part II of the Statement changes have been made in the national income classification tables in order to provide additional information and to assist the understanding of the relationship between the transactions in the conventional accounts and the presentation of these transactions in the national income accounts tables. The table which previously provided a reconciliation between these two sets of figures has been replaced by an analysis and reconciliation of central government transactions by Fund (Table 9). A new analysis of public sector transactions by sub-sector is given in Table 11.

7. Thirdly, the Financial Statement includes, for the first time, in Part III an assessment of the economic outlook. This section is intended to supplement the explanation in the Budget speech of the economic factors underlying budgetary policy. The outlook is presented on a post-Budget basis taking into account all aspects of the Government's economic policy as set out in the Budget speech. Forecasts of expenditure, imports and gross domestic product to mid-1969 are given in Table 13. The implications of a possible faster rate of growth in exports over the same period are shown in Table 14.

PART I

CONSOLIDATED FUND AND NATIONAL LOANS FUND

TABLE 1.—PROPOSED CHANGES IN TAXATION

INLAND REVENUE

INCOME TAX AND SURTAX

It is proposed to increase the age exemption limits for persons aged 65 and over from £401 to £415 for single persons and from £643 to £665 for married couples.

It is proposed to reduce the income tax personal allowances of a parent by £36 for each child for whom family allowance is due for the whole year 1968–69; and by an appropriately smaller amount where a child qualifies for only part of the year.

Effect will be given to these proposals for PAYE purposes on the first pay day after 26th April, 1968.

It is proposed that a person becoming entitled to the married allowance shall, for the year in which the marriage takes place, be entitled to only a proportion of the difference between the single and married allowances, depending on the date of marriage.

It is proposed that, with effect from 1969–70, the investment income of minor children shall be aggregated with that of their parents for tax purposes.

It is proposed that, where on or after the 19th March, 1968, a company offers its shareholders the option of receiving a cash dividend or a scrip issue, and a shareholder elects to receive the scrip, an amount equal to the gross dividend shall be treated as a distribution for all tax purposes.

It is proposed that life assurance policies taken out after 19th March, 1968, which do not satisfy certain new conditions shall not qualify for income tax relief on the premiums and shall be subject to a charge to surtax in respect of the proceeds (less premiums). It is also proposed to extend the provisions for disallowance of relief from surtax for interest on money borrowed for the purpose of paying life assurance premiums.

It is proposed to amend the law to prevent avoidance of surtax where an individual is in partnership with a company.

It is proposed to amend the law to clarify the tax position of non-resident life assurance companies.

CORPORATION TAX

It is proposed to increase the rate of corporation tax by $2\frac{1}{2}$ per cent to $42\frac{1}{2}$ per cent for the financial year beginning 1st April, 1967.

INCOME TAX, SURTAX AND CORPORATION TAX

It is proposed to provide that, where the accounts of a trade or profession were kept on a cash basis, receipts attributable to the carrying on of that trade or profession which are received after it has ceased (after 19th March, 1968) shall be subject to tax. There will be a measure of relief, on a sliding scale, for those aged 51 or more on 6th April, 1968.

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

It is proposed that receipts from the sale of knowhow shall be liable to tax and that relief shall be given for payments made in acquiring knowhow.

It is proposed that credit for double taxation shall be given up to a limit of the taxpayer's marginal rate of tax and not up to the limit of his effective rate of tax as hitherto.

It is proposed to withdraw, as regards acquisitions and disposals which both take place after 19th March, 1968, the exemption from tax of gains on British Government securities within the exempt price range to the extent that these gains arise, whether to individuals or companies, from disposals made not later than twelve months after acquisition.

CAPITAL GAINS

It is proposed that chargeable gains of individuals shall be exempt from tax if, after deducting allowable losses, they do not exceed £50 for the year. This exemption will apply from 1967–68.

It is proposed to amend the rules governing the computation of gains on quoted shares and securities acquired before 6th April, 1965, and disposed of after 19th March, 1968.

It is proposed to exempt, as regards disposals after 19th March, 1968, tangible movable assets which are wasting assets.

INTEREST ON TAX IN ARREAR

It is proposed, in relation to income tax, surtax, corporation tax and capital gains tax becoming due on or after 1st July, 1968, to reduce from three months to two months the period within which tax may be paid without incurring an interest charge.

ESTATE DUTY

It is proposed that gifts *inter vivos* (other than gifts made before 20th March, 1963) shall be liable to estate duty if made within seven years (instead of five years) before death, subject to graduation of the charge in the case of gifts made more than four years (instead of two years) before the death.

It is proposed that gifted insurance policies and other gifts in which the deceased never had an interest shall be subject to aggregation with other property chargeable on the death for the purpose of determining the rate of estate duty.

The above changes will apply in the case of deaths after 19th March, 1968.

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

SPECIAL CHARGE

It is proposed to make a special charge on the investment income of individuals for 1967-68. The first £3,000 of investment income, after deduction of personal allowances as allowed for surtax, will be exempt from the charge. The remainder will be charged at the following rates:

<i>Slice of investment income</i>					<i>Rate of charge per £</i>	
£					s.	d.
3,000-4,000	...	...	...	...	2	0
4,000-5,000	...	...	...	...	3	0
5,000-8,000	...	...	...	...	6	0
Over 8,000 ...	...	...	...	...	9	0

The amount chargeable on specimen incomes is shown below:

<i>Amount of investment income after deducting personal allowances allowed for surtax</i>						<i>Amount of special charge</i>
£						£
3,500	...	...	...	...	...	50
4,000	...	...	...	...	...	100
5,000	...	...	...	...	...	250
6,000	...	...	...	...	...	550
7,000	...	...	...	...	...	850
8,000	...	...	...	...	...	1,150
9,000	...	...	...	...	...	1,600
10,000	...	...	...	...	...	2,050
12,000	...	...	...	...	...	2,950
15,000	...	...	...	...	...	4,300
20,000	...	...	...	...	...	6,550
25,000	...	...	...	...	...	8,800
50,000	...	...	...	...	...	20,050
100,000	...	...	...	...	...	42,550

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

CUSTOMS AND EXCISE

Purchase Tax. It is proposed that from 20th March, 1968, goods chargeable at 11 per cent of their wholesale value shall become chargeable at $12\frac{1}{2}$ per cent; goods chargeable at $16\frac{1}{2}$ per cent shall become chargeable at 20 per cent; and goods chargeable at $27\frac{1}{2}$ per cent shall become chargeable at $33\frac{1}{3}$ per cent except for the following goods which shall become chargeable at 50 per cent:

Goods previously taxed at $27\frac{1}{2}$ per cent under the following Groups or sub-Groups of the Purchase Tax Schedule:

Group 1 (b)	Fur garments and fur headgear.
Group 2 (b)	Haberdashery and minor articles of apparel made wholly or partly of fur skin.
Group 4 (a) and (b)	Jewellery and imitation jewellery; articles of precious metal for personal adornment.
Group 8 (a)	Fur skin, dressed.
Group 9 (b) (i)	Rugs of fur skin.
Group 16 (b)	Garden ornaments.
Group 17	Clocks and watches, cases for and accessories to clocks and watches, watch chains and watch straps, etc., made wholly or partly of gold, silver or other precious metal (not including base metal which is coated or plated with precious metal).
Group 19 (c)	Gramophone records.
Group 22	Smokers' requisites, except matches and mechanical lighters.
Group 24	Photographic cameras and enlargers; parts and accessories; unexposed sensitised photographic paper, cloth, plates and film.
Group 25	Pictures, prints, figures, etc., of a kind produced in quantity for general sale; and certain frames.
Group 26 (a)	Diaries, calendars and greeting cards, etc.
Group 29	Fancy or ornamental articles.
Group 30 (a) and (b)	Hairdressing goods, waving and curling outfits.
Group 31	Toilet requisites (other than brushes, combs, scissors, nippers, knives, razors, razor blades, razor strops, razor sharpeners, dry shavers, dry shaver heads, mirrors, sponges, dental sticks and tooth-picks).
Group 32 (a) and (b)	Perfumery and toilet preparations (other than soap made up for sale as toilet soap, soap substitutes made up for sale as substitutes for toilet soap, baby dusting powders, shaving creams, shampoos, dentifrices, eye lotions, mouthwashes and antiseptics, calamine lotions and similar alleviating preparations, unperfumed).

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

The other goods previously chargeable at $27\frac{1}{2}$ per cent, which it is proposed shall become chargeable at $33\frac{1}{3}$ per cent, are as follows:

Group 3	Beads, cuff links, studs, hat-pins, tie-pins, scarf rings, hairpins and curlers, dress combs, and similar articles.
Group 11 (b)	Mirrors.
Group 12 (b), (c) and (d)	Domestic appliances and apparatus.
Group 14	Lighting fittings, mantles and lamps.
Group 15	Hand lamps and torches.
Group 17	Clocks and watches, cases for and accessories to clocks and watches, watch chains and watch straps, etc., other than those shown on page 7 as becoming chargeable at 50 per cent; and movements for clocks and watches.
Group 18	Wireless and television sets; valves and loudspeakers.
Group 19 (a) and (b)	Musical instruments and gramophones, etc.; parts and accessories.
Group 20	Toys, games and fireworks; requisites for sports and amusements; parts and accessories.
Group 21	Umbrellas, sunshades, walking sticks and canes.
Group 23 (a)	Trunks, bags, wallets, purses, suitcases, baskets and similar receptacles.
Group 26 (b)	Stationery and office requisites.
Group 27	Motor cars, tricycles, bicycles and other road vehicles.
Group 30 (c)	Hair waving and hair drying machines, etc.
Group 31	Toilet requisites shown on page 7 as exceptions from the 50 per cent charge under this Group.
Group 32 (b)	Toilet preparations shown on page 7 as exceptions from the 50 per cent charge under Group 32 (a) and (b).
Group 33	Drugs and medicines.

It is also proposed that from 20th March, 1968, tape recorders, tape reproducers, their parts and accessories shall become chargeable at $33\frac{1}{3}$ per cent, and pre-recorded magnetic tapes and containers therefor, cinematograph, filmstrip and slide projectors, their parts and accessories, projection screens not exceeding 35 square feet in area, slide viewers and slide containers (except viewers and containers for use with slides exceeding 3 inches in width) shall become chargeable at 50 per cent.

Hydrocarbon oil duty. It is proposed to increase, from 6 p.m. on 19th March, 1968, the duties on light hydrocarbon oils, heavy hydrocarbon oils used as road fuel, petrol substitutes and power methylated spirits from 3s. 7d. a gallon to 3s. 11d. a gallon.

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

Tobacco, spirits, wine and British wine. It is proposed to increase from 20th March, 1968, the duties on tobacco, spirits (other than perfumed spirits), wine and British wine. The existing and proposed rates of duty are as follows:

	Existing rates			Proposed rates		
	Customs		Excise	Customs		Excise
	Full	Preferential ⁽¹⁾		Full	Preferential ⁽¹⁾	
TOBACCO—	£ s. d. per lb.	£ s. d. per lb.	£ s. d. per lb.	£ s. d. per lb.	£ s. d. per lb.	£ s. d. per lb.
Unmanufactured—						
Containing 10 per cent or more by weight of moisture	4 7 4½	4 5 10	4 5 8	4 11 8½	4 10 2	4 10 0
Containing less than 10 per cent by weight of moisture	4 8 4½	4 6 8	4 6 6	4 12 8½	4 11 0	4 10 10
Manufactured—						
Cigars ...	4 16 3	4 13 3½	—	5 0 7	4 17 7½	—
Cigarettes ...	4 12 10½	{ 4 10 6(C) 4 8 6(E) }	—	4 17 2½	{ 4 14 10(C) 4 12 10(E) }	—
Cavendish or Negrohead						
Manufactured in bond ...	4 9 10½	4 7 11	4 7 11	4 14 2½	4 12 3	4 12 3
Other ...	4 11 10½	4 9 7½	—	4 16 2½	4 13 11½	—
Other manufactured tobacco ...	4 10 1½	{ 4 8 2 (C) 4 7 4½(E) }	—	4 14 5½	{ 4 12 6 (C) 4 11 8½(E) }	—
Snuff and snuff work ...	4 10 7½	{ 4 8 7 (C) 4 8 4½(E) }	—	4 14 11½	{ 4 12 11 (C) 4 12 8½(E) }	—
SPIRITS (other than perfumed spirits)—						
(a) not comprised below		per proof gallon			per proof gallon	
(i) if warehoused 3 years or more ...	16 3 9	16 1 3	16 1 3	17 5 3	17 2 9	17 2 9
(ii) otherwise ...	16 5 3	16 2 9	16 2 9	17 6 9	17 4 3	17 4 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 ...	21 17 0	21 13 6	—	23 6 0	23 2 6	—
(ii) otherwise ...	21 19 0	21 15 6	—	23 8 0	23 4 6	—
WINE (Customs) and BRITISH WINE (Excise)—						
Light wine ⁽²⁾ —		per gallon			per gallon	
(a) Still						
(i) not in bottle ...	1 0 3	— 18 3	{ — 17 9	{ 1 3 3	1 1 3	{ 1 0 9
(ii) in bottle ...	1 2 9	— 19 9	1 3 9	{ 1 5 9	1 2 9	1 6 9
(b) Sparkling... ..	1 12 9	1 10 9	—	1 15 9	1 13 9	—
Other wine—						
(a) Still						
(i) not in bottle ...	1 19 3	1 9 3	{ — 19 9	{ 2 5 3	1 15 3	{ 1 5 9
(ii) in bottle ...	2 1 9	1 10 9	1 5 9	{ 2 7 9	1 16 9	1 11 9
(b) Sparkling... ..	2 11 9	2 1 9	—	2 17 9	2 7 9	—
For each degree or fraction of a degree above 42 degrees, an additional ...	— 3 3	— 2 5	—	— 3 9	— 2 11	—

⁽¹⁾ For unmanufactured tobacco, for Cavendish or Negrohead tobacco manufactured in bond and for wine the Preferential rates of Customs duty apply to goods from the Commonwealth Preference Area; for spirits and for manufactured tobacco (other than Cavendish or Negrohead tobacco manufactured in bond) these Preferential rates apply also to goods of EFTA origin. Where there are different Commonwealth and EFTA Preferential rates these are indicated by (C) and (E) respectively.

⁽²⁾ Light wine means wine not exceeding 27 degrees proof spirit for wines liable to Preferential or Excise rates of duty and not exceeding 25 degrees for wine liable to Full rates.

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

Betting and gaming. It is proposed that, with effect from 25th March, 1968, the rate of General Betting Duty shall be increased from $2\frac{1}{2}$ per cent to 5 per cent and the rate of Pool Betting Duty from 25 per cent to $33\frac{1}{3}$ per cent. It is also proposed to increase the rates of licence duty on premises used for gaming, the new rates applying to renewals of existing licences and to any new licences issued on or after 1st July, 1968, which expire after 30th September, 1968. The existing rates and the proposed rates are as follows:

Rateable value of premises	Annual Licence Duty			
	Existing rates		Proposed rates	
	Bingo only	"All games"	Bingo only	"All games"
Not exceeding £1,000 ⁽¹⁾	£ 100	£ 500	£ 125	£ 750
Exceeding £1,000 but not exceeding £1,500 ⁽²⁾	{ 1,000 }	{ 5,000 }	1,500	7,500
Exceeding £1,500 but not exceeding £2,250	{ 1,000 }	{ 5,000 }	{ 2,000 }	15,000
Exceeding £2,250 but not exceeding £3,000	{ 1,000 }	{ 5,000 }	{ 2,000 }	30,000
Exceeding £3,000	{ 1,000 }	50,000	{ 2,000 }	75,000

⁽¹⁾ Applies also to premises having no rateable value and to any means of transport, other than vessels.

⁽²⁾ Applies also to vessels.

Anglo-Irish Free Trade Agreement. To implement a provision in the Anglo-Irish Free Trade Agreement, 1965, it is proposed that, with effect from 1st July, 1968, certain goods of the Republic of Ireland consigned to the United Kingdom from that country shall be liable to duty at reduced rates, as follows:

- (a) Matches; mechanical lighters; manufactured tobacco, other than cigars or Cavendish or Negrohead; snuff and snuff work
—liable to duty at the same rates as similar goods from the European Free Trade Area;
- (b) Wine not exceeding 32 degrees of proof spirit
—liable to the rate of excise duty charged on British wine of that description;
- (c) Still wine in bottle exceeding 32 degrees of proof spirit
—liable to duty at the same rate as wine not in bottle from the Commonwealth Preference Area.

It is also proposed to abolish, with effect from 1st July, 1968, the existing duties on imported hops, hop oil and hop extracts, and to replace them by duties imposed by Order under the Import Duties Act, 1958, from which goods of the Republic of Ireland will be exempt.

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.

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

MOTOR VEHICLE DUTIES

It is proposed to increase, from 20th March, 1968, the excise duty on mechanically-propelled vehicles which is chargeable under sections 1 and 12 of the Vehicles (Excise) Act 1962, except for:

- (a) hackney carriages (which include 'buses and coaches)—for which the duty will remain unchanged; and
- (b) tricycles of which the cylinder capacity of the engine does not exceed 150 c.c. and those which are electrically propelled and do not exceed 165 lb. unladen weight—for which the duty will be reduced to £2 10s. for twelve months.

It is also proposed that:

- (a) where a hackney carriage or a goods vehicle (other than a farmer's goods vehicle) is used for private purposes, the duty payable should be that payable for a private motor car if that is higher than the duty appropriate to the vehicle as a hackney carriage or goods vehicle; and
- (b) where a farmer's goods vehicle is used for private purposes, the duty payable should be that payable for a private motor car or for a farmer's goods vehicle, whichever is the higher (and not the higher of the duty payable on a private motor car or an ordinary "goods" vehicle).

Specimen new rates now proposed for the main classes of vehicles are as follows:

Description of vehicle	Exceeding	Not exceeding	Present rates		Proposed rates	
			12 months	4 months	12 months	4 months
			£ s.	£ s.	£ s.	£ s.
MOTOR CARS—						
Three-wheeled	—	8 cwt.	8 0	2 19	10 0	3 13
Electrically propelled and those not exceeding 7 h.p. first registered before 1st January, 1947	—	—	12 10	4 12	18 0	6 12
Others	—	—	17 10	6 8	25 0	9 3
MOTOR CYCLES—						
With or without sidecar	—	150 c.c.	2 0	—	2 10	—
	150 c.c.	250 c.c.	4 0	—	5 0	—
	250 c.c.	—	8 0	2 19	10 0	3 13
AGRICULTURAL MACHINES, DIGGING AND MOWING MACHINES, MOBILE CRANES AND WORKS TRUCKS	—	—	3 15	—	5 0	—
GENERAL HAULAGE	—	2 tons	45 0	16 10	60 0	22 0
TRACTORS	2 tons	4 tons	72 0	26 8	108 0	39 12
	4 tons	6 tons	99 0	36 6	148 10	54 9
	6 tons	7½ tons	126 0	46 4	189 0	69 6
	7½ tons	8 tons	153 0	56 2	229 10	84 3
	8 tons	9 tons	180 0	66 0	270 0	99 0
	9 tons	10 tons	207 0	75 18	310 10	113 17
For each additional ton or part ton	—	—	27 0	*	40 10	*

* The four-monthly rate of duty for a vehicle over ten tons shall be an amount equal to eleven-thirtieths of the annual rate of duty, rounded up or down to the nearest shilling, sixpence being rounded down.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*MOTOR VEHICLE DUTIES—*continued*

Exceeding	Not exceeding	Used without trailer Present rates		Used without trailer Proposed rates	
		12 months	4 months	12 months	4 months
		£ s.	£ s.	£ s.	£ s.
Goods (Farmers')—					
—	12 cwt.	15 0	5 10	17 10	6 8
12 cwt.	16 cwt.	16 0	5 17	19 5	7 1
16 cwt.	1 ton	17 0	6 5	21 0	7 14
1 ton	5 cwt.	18 0	6 12	22 15	8 7
1 ton 5 cwt.	10 cwt.	19 0	6 19	24 15	9 1
1 ton 10 cwt.	15 cwt.	20 0	7 7	26 15	9 16
1 ton 15 cwt.	2 tons	21 0	7 14	28 15	10 11
2 tons	5 cwt.	22 0	8 1	30 15	11 5
2 tons 5 cwt.	10 cwt.	23 0	8 9	32 15	12 0
2 tons 10 cwt.	15 cwt.	24 10	9 0	35 5	12 18
2 tons 15 cwt.	3 tons	26 0	9 11	37 15	13 17
3 tons	5 cwt.	27 10	10 2	40 5	14 15
3 tons 5 cwt.	10 cwt.	29 0	10 13	42 15	15 13
3 tons 10 cwt.	15 cwt.	30 10	11 4	45 5	16 12
3 tons 15 cwt.	4 tons	32 0	11 15	47 15	17 10
4 tons	5 cwt.	33 10	12 6	50 5	18 8
4 tons 5 cwt.	10 cwt.	34 5	12 11	51 5	18 16
4 tons 10 cwt.	15 cwt.	35 0	12 17	52 5	19 3
4 tons 15 cwt.	5 tons	35 15	13 2	53 5	19 10
5 tons	5 cwt.	36 10	13 8	54 5	19 18
5 tons 5 cwt.	10 cwt.	37 5	13 13	55 5	20 5
5 tons 10 cwt.	15 cwt.	38 0	13 19	56 5	20 12
5 tons 15 cwt.	6 tons	38 15	14 4	57 10	21 2
6 tons	5 cwt.	39 10	14 10	58 15	21 11
6 tons 5 cwt.	10 cwt.	40 5	14 15	60 0	22 0
6 tons 10 cwt.	15 cwt.	41 0	15 1	61 5	22 9
6 tons 15 cwt.	7 tons	41 15	15 6	62 10	22 18
7 tons	5 cwt.	42 10	15 12	63 15	23 7
7 tons 5 cwt.	10 cwt.	43 5	15 17	65 0	23 17
7 tons 10 cwt.	15 cwt.	44 0	16 3	66 5	24 6
7 tons 15 cwt.	8 tons	44 15	16 8	67 10	24 15
8 tons	5 cwt.	45 10	16 14	68 15	25 4
8 tons 5 cwt.	10 cwt.	46 5	16 19	70 0	25 13
8 tons 10 cwt.	15 cwt.	47 0	17 5	71 0	26 1
8 tons 15 cwt.	9 tons	47 15	17 10	72 0	26 8
9 tons	5 cwt.	48 10	17 16	73 0	26 15
9 tons 5 cwt.	10 cwt.	49 5	18 1	74 0	27 3
9 tons 10 cwt.	15 cwt.	50 0	18 7	75 0	27 10
9 tons 15 cwt.	10 tons	50 15	18 12	76 0	27 17
For each additional $\frac{1}{4}$ ton or part $\frac{1}{4}$ ton		— 15	*	1 0	*

* The four-monthly rate of duty for a vehicle over ten tons shall be an amount equal to eleven-thirtieths of the annual rate of duty, rounded up or down to the nearest shilling, sixpence being rounded down.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*MOTOR VEHICLE DUTIES—*continued*

Exceeding	Not exceeding	Used with trailer Present rates		Used with trailer Proposed rates	
		12 months	4 months	12 months	4 months
		£ s.	£ s.	£ s.	£ s.
Goods (Farmers')—					
—	12 cwt.	27 0	9 18	31 10	11 11
12 cwt.	16 cwt.	28 0	10 5	33 5	12 4
16 cwt.	1 ton	29 0	10 13	35 0	12 17
1 ton	5 cwt.	30 0	11 0	36 15	13 9
1 ton 5 cwt.	1 ton 10 cwt.	31 0	11 7	38 15	14 4
1 ton 10 cwt.	1 ton 15 cwt.	38 0	13 19	50 15	18 12
1 ton 15 cwt.	2 tons	39 0	14 6	52 15	19 7
2 tons	5 cwt.	40 0	14 13	54 15	20 1
2 tons 5 cwt.	2 tons 10 cwt.	41 0	15 1	56 15	20 16
2 tons 10 cwt.	2 tons 15 cwt.	51 10	18 18	75 5	27 12
2 tons 15 cwt.	3 tons	53 0	19 9	77 15	28 10
3 tons	5 cwt.	54 10	20 0	80 5	29 8
3 tons 5 cwt.	3 tons 10 cwt.	56 0	20 11	82 15	30 7
3 tons 10 cwt.	3 tons 15 cwt.	57 10	21 2	85 5	31 5
3 tons 15 cwt.	4 tons	59 0	21 13	87 15	32 3
4 tons	5 cwt.	69 10	25 10	104 5	38 4
4 tons 5 cwt.	4 tons 10 cwt.	70 5	25 15	105 5	38 12
4 tons 10 cwt.	4 tons 15 cwt.	71 0	26 1	106 5	38 19
4 tons 15 cwt.	5 tons	71 15	26 6	107 5	39 6
5 tons	5 cwt.	72 10	26 12	108 5	39 14
5 tons 5 cwt.	5 tons 10 cwt.	73 5	26 17	109 5	40 1
5 tons 10 cwt.	5 tons 15 cwt.	74 0	27 3	110 5	40 8
5 tons 15 cwt.	6 tons	74 15	27 8	111 10	40 18
6 tons	5 cwt.	75 10	27 14	112 15	41 7
6 tons 5 cwt.	6 tons 10 cwt.	76 5	27 19	114 0	41 16
6 tons 10 cwt.	6 tons 15 cwt.	77 0	28 5	115 5	42 5
6 tons 15 cwt.	7 tons	77 15	28 10	116 10	42 14
7 tons	5 cwt.	78 10	28 16	117 15	43 3
7 tons 5 cwt.	7 tons 10 cwt.	79 5	29 1	119 0	43 13
7 tons 10 cwt.	7 tons 15 cwt.	80 0	29 7	120 5	44 2
7 tons 15 cwt.	8 tons	80 15	29 12	121 10	44 11
8 tons	5 cwt.	81 10	29 18	122 15	45 0
8 tons 5 cwt.	8 tons 10 cwt.	82 5	30 3	124 0	45 9
8 tons 10 cwt.	8 tons 15 cwt.	83 0	30 9	125 0	45 17
8 tons 15 cwt.	9 tons	83 15	30 14	126 0	46 4
9 tons	5 cwt.	84 10	31 0	127 0	46 11
9 tons 5 cwt.	9 tons 10 cwt.	85 5	31 5	128 0	46 19
9 tons 10 cwt.	9 tons 15 cwt.	86 0	31 11	129 0	47 6
9 tons 15 cwt.	10 tons	86 15	31 16	130 0	47 13
For each additional $\frac{1}{4}$ ton or part $\frac{1}{4}$ ton		— 15	*	1 0	*

* The four-monthly rate of duty for a vehicle over ten tons shall be an amount equal to eleven-thirtieths of the annual rate of duty, rounded up or down to the nearest shilling, sixpence being rounded down.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*MOTOR VEHICLE DUTIES—*continued*

Exceeding	Not exceeding	Used without trailer Present rates		Used without trailer Proposed rates	
		12 months	4 months	12 months	4 months
		£ s.	£ s.	£ s.	£ s.
Goods General—					
—	12 cwt.	18 0	6 12	24 0	8 16
12 cwt.	16 cwt.	22 10	8 5	30 0	11 0
16 cwt.	1 ton —	27 0	9 18	36 10	13 8
1 ton —	1 ton 5 cwt.	31 10	11 11	43 0	15 15
1 ton 5 cwt.	1 ton 10 cwt.	36 0	13 4	49 10	18 3
1 ton 10 cwt.	1 ton 15 cwt.	40 10	14 17	56 5	20 12
1 ton 15 cwt.	2 tons —	45 0	16 10	63 0	23 2
2 tons —	2 tons 5 cwt.	49 10	18 3	70 10	25 17
2 tons 5 cwt.	2 tons 10 cwt.	54 0	19 16	78 0	28 12
2 tons 10 cwt.	2 tons 15 cwt.	58 10	21 9	85 10	31 7
2 tons 15 cwt.	3 tons —	63 0	23 2	93 0	34 2
3 tons —	3 tons 5 cwt.	69 15	25 11	103 10	37 19
3 tons 5 cwt.	3 tons 10 cwt.	76 10	28 1	114 0	41 16
3 tons 10 cwt.	3 tons 15 cwt.	83 5	30 10	124 10	45 13
3 tons 15 cwt.	4 tons —	90 0	33 0	135 0	49 10
4 tons —	4 tons 5 cwt.	99 0	36 6	148 10	54 9
4 tons 5 cwt.	4 tons 10 cwt.	108 0	39 12	162 0	59 8
4 tons 10 cwt.	4 tons 15 cwt.	117 0	42 18	175 10	64 7
4 tons 15 cwt.	5 tons —	126 0	46 4	189 0	69 6
5 tons —	5 tons 5 cwt.	135 0	49 10	202 10	74 5
5 tons 5 cwt.	5 tons 10 cwt.	144 0	52 16	216 0	79 4
5 tons 10 cwt.	5 tons 15 cwt.	153 0	56 2	229 10	84 3
5 tons 15 cwt.	6 tons —	162 0	59 8	243 0	89 2
6 tons —	6 tons 5 cwt.	171 0	62 14	256 10	94 1
6 tons 5 cwt.	6 tons 10 cwt.	180 0	66 0	270 0	99 0
6 tons 10 cwt.	6 tons 15 cwt.	189 0	69 6	283 10	103 19
6 tons 15 cwt.	7 tons —	198 0	72 12	297 0	108 18
7 tons —	7 tons 5 cwt.	207 0	75 18	310 10	113 17
7 tons 5 cwt.	7 tons 10 cwt.	216 0	79 4	324 0	118 16
7 tons 10 cwt.	7 tons 15 cwt.	225 0	82 10	337 10	123 15
7 tons 15 cwt.	8 tons —	234 0	85 16	351 0	128 14
8 tons —	8 tons 5 cwt.	243 0	89 2	364 10	133 13
8 tons 5 cwt.	8 tons 10 cwt.	252 0	92 8	378 0	138 12
8 tons 10 cwt.	8 tons 15 cwt.	261 0	95 14	391 10	143 11
8 tons 15 cwt.	9 tons —	270 0	99 0	405 0	148 10
9 tons —	9 tons 5 cwt.	279 0	102 6	418 10	153 9
9 tons 5 cwt.	9 tons 10 cwt.	288 0	105 12	432 0	158 8
9 tons 10 cwt.	9 tons 15 cwt.	297 0	108 18	445 10	163 7
9 tons 15 cwt.	10 tons —	306 0	112 4	459 0	168 6
For each additional $\frac{1}{4}$ ton or part $\frac{1}{4}$ ton		9 0	*	13 10	*

* The four-monthly rate of duty for a vehicle over ten tons shall be an amount equal to eleven-thirtieths of the annual rate of duty, rounded up or down to the nearest shilling, sixpence being rounded down.

TABLE 1.—PROPOSED CHANGES IN TAXATION—*continued*MOTOR VEHICLE DUTIES—*continued*

Exceeding	Not exceeding	Used with trailer Present rates		Used with trailer Proposed rates	
		12 months	4 months	12 months	4 months
		£ s.	£ s.	£ s.	£ s.
Goods General—					
—	12 cwt.	30 0	11 0	38 0	13 19
12 cwt.	16 cwt.	34 10	12 13	44 0	16 3
16 cwt.	1 ton	39 0	14 6	50 10	18 10
1 ton	5 cwt.	43 10	15 19	57 0	20 18
1 ton 5 cwt.	1 ton 10 cwt.	48 0	17 12	63 10	23 6
1 ton 10 cwt.	1 ton 15 cwt.	58 10	21 9	80 5	29 8
1 ton 15 cwt.	2 tons	63 0	23 2	87 0	31 18
2 tons	5 cwt.	67 10	24 15	94 10	34 13
2 tons 5 cwt.	2 tons 10 cwt.	72 0	26 8	102 0	37 8
2 tons 10 cwt.	2 tons 15 cwt.	85 10	31 7	125 10	46 0
2 tons 15 cwt.	3 tons	90 0	33 0	133 0	48 15
3 tons	5 cwt.	96 15	35 9	143 10	52 12
3 tons 5 cwt.	3 tons 10 cwt.	103 10	37 19	154 0	56 9
3 tons 10 cwt.	3 tons 15 cwt.	110 5	40 8	164 10	60 6
3 tons 15 cwt.	4 tons	117 0	42 18	175 0	64 3
4 tons	5 cwt.	135 0	49 10	202 10	74 5
4 tons 5 cwt.	4 tons 10 cwt.	144 0	52 16	216 0	79 4
4 tons 10 cwt.	4 tons 15 cwt.	153 0	56 2	229 10	84 3
4 tons 15 cwt.	5 tons	162 0	59 8	243 0	89 2
5 tons	5 cwt.	171 0	62 14	256 10	94 1
5 tons 5 cwt.	5 tons 10 cwt.	180 0	66 0	270 0	99 0
5 tons 10 cwt.	5 tons 15 cwt.	189 0	69 6	283 10	103 19
5 tons 15 cwt.	6 tons	198 0	72 12	297 0	108 18
6 tons	5 cwt.	207 0	75 18	310 10	113 17
6 tons 5 cwt.	6 tons 10 cwt.	216 0	79 4	324 0	118 16
6 tons 10 cwt.	6 tons 15 cwt.	225 0	82 10	337 10	123 15
6 tons 15 cwt.	7 tons	234 0	85 16	351 0	128 14
7 tons	5 cwt.	243 0	89 2	364 10	133 13
7 tons 5 cwt.	7 tons 10 cwt.	252 0	92 8	378 0	138 12
7 tons 10 cwt.	7 tons 15 cwt.	261 0	95 14	391 10	143 11
7 tons 15 cwt.	8 tons	270 0	99 0	405 0	148 10
8 tons	5 cwt.	279 0	102 6	418 10	153 9
8 tons 5 cwt.	8 tons 10 cwt.	288 0	105 12	432 0	158 8
8 tons 10 cwt.	8 tons 15 cwt.	297 0	108 18	445 10	163 7
8 tons 15 cwt.	9 tons	306 0	112 4	459 0	168 6
9 tons	5 cwt.	315 0	115 10	472 10	173 5
9 tons 5 cwt.	9 tons 10 cwt.	324 0	118 16	486 0	178 4
9 tons 10 cwt.	9 tons 15 cwt.	333 0	122 2	499 10	183 3
9 tons 15 cwt.	10 tons	342 0	125 8	513 0	188 2
For each additional $\frac{1}{4}$ ton or part $\frac{1}{4}$ ton		9 0	*	13 10	*

* The four-monthly rate of duty for a vehicle over ten tons shall be an amount equal to eleven-thirtieths of the annual rate of duty, rounded up or down to the nearest shilling, sixpence being rounded down.

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

MOTOR VEHICLE DUTIES—*continued*

Description of vehicle	Exceeding	Not exceeding	Present rates		Proposed rates	
			Annual	Quarterly	Annual	Quarterly
			£ s. d.	£ s. d.	£ s. d.	£ s. d.
GENERAL TRADE LICENCES						
Motor Cycle	—	—	9 0 0	2 9 6	12 0 0	3 6 0
Other	—	—	45 0 0	12 7 6	60 0 0	16 10 0

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

SELECTIVE EMPLOYMENT TAX

It is proposed to increase by 50 per cent the rates of Selective Employment Tax payable with effect from 2nd September, 1968.

The weekly rates from that date will be:

					s.	d.
Men	...	...	...	...	37	6
Women	...	...	...	...	18	9
Boys under 18	...	...	...	...	18	9
Girls under 18	...	...	...	...	12	0

Full refunds of the tax will continue to be paid to employers currently entitled to them; additional sums will continue to be paid to manufacturers in Development Areas.

From 2nd September, 1968, it is proposed to increase refunds in respect of adult part-time employees, other than those for whom full refund is now made, to the following weekly sums:

					s.	d.
Men	...	...	...	...	25	0
Women	...	...	...	...	12	6

The effective weekly rate of tax in respect of these categories will thus remain at the level established under the Finance Act, 1967.

It is proposed that partial refunds shall be made in respect of full-time employees aged 65 or over, other than those for whom full refund is currently made. The rates of refund will be the same as for part-time employees.

It is also proposed that full refunds shall be made in respect of employees in hotels in certain rural parts of Development Areas.

TABLE 2.—ESTIMATED EFFECTS OF CHANGES IN TAXATION

£ million

	Estimate for 1968-69	Estimate for a full year
INLAND REVENUE		
<i>Income tax—</i>		
Increase of age exemption limits to £415 for a single person and £665 for a married couple	— 1½	— 2½
Reduction of personal allowances by £36 for each child qualifying for a family allowance	+ 57	+ 83 (a)
Reduction of marriage allowance in year of marriage ...	+ 12	+ 15
Taxation of child's investment income as the income of his parent	Nil	+ 25
<i>Corporation tax—</i>		
Increase of rate to 42½ per cent	+ 57	+ 98
<i>Income tax, surtax and corporation tax—</i>		
Restriction of exempt price range concession	+ 2½ (b)	+ 2½
<i>Capital gains tax—</i>		
Exemption of gains of less than £50	— ½	— 1 (d)
<i>Arrears of tax—</i>		
Reduction of period before interest is charged to two months	+ 25 (c)	—
<i>Estate duty—</i>		
Extension of <i>inter vivos</i> gift period	+ 2	+ 6
Aggregation of gifted insurance policies, etc.	+ 3½	+ 5
<i>Special charge</i>	+ 70	+ 100
TOTAL INLAND REVENUE	+ 227	+ 331
CUSTOMS AND EXCISE		
Purchase Tax	+ 127	+ 163
Hydrocarbon oils	+ 76	+ 76
Tobacco	+ 30	+ 30
Spirits	+ 8	+ 8
Wine and British wine	+ 7	+ 7
Betting and gaming	+ 29½	+ 30
Reductions in pursuance of Anglo-Irish Free Trade Agreement	negligible	negligible
TOTAL CUSTOMS AND EXCISE	+ 277½	+ 314
MOTOR VEHICLE DUTIES		
	+ 119	+ 126
SELECTIVE EMPLOYMENT TAX		
Gross yield	+ 299	+ 548
Refunds, etc.	— 148 (e)	— 396
Net yield	+ 151	+ 152
Total	+ 774½	+ 923

(a) On the basis of a £42 reduction for a full year.

(b) Made up of income tax £1 million

surtax £1 million

corporation tax £½ million

(c) Made up of income tax £2 million

surtax £4 million

corporation tax £19 million

(d) The cost in the long term may reach £2 million a year.

(e) These refunds, etc., are borne on Supply Votes—see footnote † on page 21.

TABLE 3.—SUMMARY OF CONSOLIDATED FUND RECEIPTS AND ISSUES

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes
REVENUE (Table 4)				
Taxation	10,679	10,770	11,552	12,475
Miscellaneous Receipts	414	407	400	400
TOTAL	11,093	11,177	11,952	12,875
EXPENDITURE (Table 5)				
Supply Services	9,549	10,000	10,548	10,725
Consolidated Fund Standing Services	810	878	764	764
TOTAL	10,359	10,878	11,312	11,489
SURPLUS TRANSFERRED TO THE NATIONAL LOANS FUND (Table 6)	734	299	640	1,386

TABLE 4.—TAXATION AND MISCELLANEOUS RECEIPTS

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes
TAXATION				
<i>Inland Revenue—</i>				
Income Tax	3,807	3,817	4,330	4,401
Surtax	250	232	245	250
Profits Tax	20	32	15	15
Corporation Tax	1,260	1,225	1,350	1,426
Capital Gains Tax	5	16	45	44
Death Duties	300	330	340	346
Stamp Duties	81	98	105	105
Special Charge	—	—	—	70
<i>Total Inland Revenue</i>	<i>5,723</i>	<i>5,750</i>	<i>6,430</i>	<i>6,657</i>
<i>Customs and Excise—</i>				
Tobacco	1,020	1,038	1,015	1,045
Purchase Tax	735	747	760	887
Oil	950	959	1,025	1,101
Spirits, Beer and Wine	718	736	708	723
Betting and Gaming	70	67	70	100
Other Revenue Duties	10	11	10	10
Import Duties Act, 1958	184	214	190	190
Less: Temporary Charge on Imports (refunds)	—3	—6	—2	—2
Export Rebates, etc.	—83	—76	—42	—42
<i>Total Customs and Excise</i>	<i>3,601</i>	<i>3,690</i>	<i>3,734</i>	<i>4,012</i>
Motor Vehicle Duties	270	281	302	421
Less: Export Rebates, etc.	—15	—15	—8	—8
	255	266	294	413
Selective Employment Tax (gross)*	1,100	1,064	1,094	1,393
TOTAL TAXATION	10,679	10,770	11,552	12,475
MISCELLANEOUS RECEIPTS				
Broadcast Receiving Licences	75	81	82	82
Interest and Dividends	76	86	83	83
Other	263	240	235	235
Total	11,093	11,177	11,952	12,875

* Net yield of Selective Employment Tax from the private sector and public corporations (see note (2) on pages 28 and 29)

338 325 333 485

TABLE 5.—SUPPLY SERVICES AND CONSOLIDATED FUND
STANDING SERVICES

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes
SUPPLY SERVICES*				
<i>Defence Budget—</i>				
Defence—(Central)	21	24	24	
(Navy)	620	649	656	
(Army, etc.)	592	621	604	
(Air)	544	537	557	
Ministry of Technology	245	241	227	
Ministry of Public Building and Works	177	184	198	
Atomic Energy Authority	6	4	5	
<i>Total Defence Budget</i>	2,205	2,260	2,271	2,271
<i>Other Supply—</i>				
I. Government and Exchequer	199	203	181	
II. Commonwealth and Foreign	277	305	264	
III. Home and Justice	207	222	231	
IV. Transport, Trade and Industry	1,640	1,881	1,993	
V. Agriculture	367	389	392	
VI. Local Government, Housing and Social Services	3,882	3,955	4,335	
VII. Education and Science	409	409	433	
VIII. Museums, Galleries and the Arts	14	14	15	
IX. Public Buildings and Common Governmental Services	231	234	265	
X. Smaller Public Departments	8	9	16	
XI. Miscellaneous	110	116	118	
Defence (Army) Purchasing (Repayment) Services	—	3	3	
<i>Total Other Supply</i>	7,344	7,740	8,246	8,246
Supplementary provision†	—	—	31	208
TOTAL SUPPLY SERVICES	9,549	10,000	10,548	10,725
CONSOLIDATED FUND STANDING SERVICES				
Payment to the National Loans Fund in respect of interest, etc., on the National Debt	595	654	515	515
Northern Ireland—share of reserved taxes, etc.	185	194	219	219
Other Services	30	30	30	30
Total	10,359	10,878	11,312	11,489

* For purposes of comparison with 1968-69 the 1967-68 figures have been adjusted to take account of transfers between Votes and transfers to Votes of overseas aid expenditure previously financed by loans from the Consolidated Fund.

† This is the estimated addition to Supply Votes in 1968-69 to take account of the following changes:

<i>Selective Employment Tax—</i>				£ million
Extra refunds for part-time employees and refunds for employees in certain hotels and employees aged 65 or over				4
Refunds to the private sector, public corporations and local authorities				126
Additional tax payable in respect of public service employees				18
TOTAL				148
<i>Family allowances—</i>				
Increase of 3s. 0d. in allowance from 6th October, 1968				26
<i>Grants to road passenger transport operators—</i>				
Additional grant arising from increased tax on fuel				3
<i>Agricultural Price Review—</i>				
Net increase in the cost of agricultural support as determined by the Annual Review, 1968 (Cmnd. 3558)				31
Total				208

TABLE 6.—NATIONAL LOANS FUND
Summary of Receipts and Payments

Receipts					Payments					£ million
	1967-68		1968-69 Estimate			1967-68		1968-69 Estimate		
	Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes		Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes	
INTEREST, ETC.										
Interest on loans and profits of the Issue Department of the Bank of England ...	750	716	960	960						
Balance of interest met from the Consolidated Fund ...	595	654	515	515						
TOTAL ...	1,345	1,370	1,475	1,475						
					NATIONAL DEBT					
					Interest and expenses	1,345	1,370	1,475	1,475	
					LOANS (NET)*					
					To nationalised industries	912	1,200	921	921	
					To other public corporations	127	74	146	146	
					To local and harbour authorities ...	515	369	505	505	
					To private sector ...	-3	-5	-7	-7	
					Within central government	215	110	179	179	
					TOTAL ...	1,766	1,748	1,744	1,744	
	3,111	3,118	3,219	3,219		3,111	3,118	3,219	3,219	
CONSOLIDATED FUND SURPLUS	734	299	640	1,386						
EXCHANGE EQUALISATION ACCOUNT—										
Changes in sterling capital ...	1,032	1,449	1,104	358						
NET BORROWING ...										

TABLE 7.—LOANS FROM THE NATIONAL LOANS FUND
(Net issues)

£ million

	1967-68*		1968-69 Estimate†
	Budget Estimate	Provisional outturn	
LOANS TO NATIONALISED INDUSTRIES:			
Post Office	170	193	230
National Coal Board	10	85	26
Electricity Council	411	336	237
North of Scotland Hydro-Electric Board	8	3	6
South of Scotland Electricity Board	39	40	39
Gas Council	225	262	292
British Steel Corporation	75	175	100
British Overseas Airways Corporation	-3	-3	-3
British European Airways Corporation	18	19	52
British Airports Authority	6	2	7
British Railways Board	10	5	10
London Transport Board	20	18	26
British Transport Docks Board	12	11	8
British Waterways Board	1	—	1
Transport Holding Company	10	54	10
Less: estimated shortfall on borrowing	-100	—	-120
TOTAL	912	1,200	921
LOANS TO OTHER PUBLIC CORPORATIONS:			
New Towns—Development Corporations and Commission	85	76	90
Scottish Special Housing Association	9	8	13
Housing Corporation	13	12	15
Iron and Steel Holding Realisation Agency	-15	-25	—
Covent Garden Market Authority	—	—	1
Sugar Board	—	-2	—
Industrial Reorganisation Corporation	20	—	15
Shipbuilding Industry Board	15	5	12
TOTAL	127	74	146
LOANS TO LOCAL AUTHORITIES:			
Local Authorities	495	360	495
Harbour Authorities	20	9	10
TOTAL	515	369	505
LOANS TO PRIVATE SECTOR:			
Ship Credit Scheme	-6	-6	-6
Housing Associations	6	4	2
Building Societies	-3	-3	-3
TOTAL	-3	-5	-7
LOANS WITHIN CENTRAL GOVERNMENT:			
Purchases of U.S. military aircraft	178	70	147
Married quarters for armed forces	13	11	—
Town and Country Planning compensation	-3	-3	-3
Redundancy Fund	-4	6	1
Land Commission	6	1	10
Northern Ireland Exchequer	25	25	24
TOTAL	215	110	179
Total—Net Lending	1,766	1,748	1,744

* Issues were made from the Consolidated Fund during the year 1967-68.

† Further details of these items are contained in the White Paper on Loans from the National Loans Fund, 1968-69 (Cmnd. 3565).

PART II

NATIONAL INCOME ACCOUNTS

INTRODUCTION TO TABLES

The following tables show the current and capital transactions of the central government and of the public sector as a whole classified in accordance with the concepts used in the national income and expenditure accounts prepared by the Central Statistical Office.

Table 8 gives the national income accounts classification of central government transactions.

Table 9 analyses the transactions shown in Table 8 in terms of the Consolidated Fund, the National Loans Fund and other central government funds and accounts, and provides a reconciliation between Table 8 and the figures shown in the conventional accounts (Tables 3-7).

Table 10 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 8 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, disappear on consolidation. However, details of these internal transfers are shown in Table 11.

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, while those for the central government are based on the known totals of receipts and issues for most of the year. The estimates for local authorities and public corporations are also of a different character from those for central government, since they are not directly related to an authorisation by Parliament.

Table 11 provides a summary national income accounts presentation of the transactions of local authorities and public corporations as well as those of central government and shows in addition transfers between the three sub-sectors.

Table 12 shows in summary form, for the whole of the public sector and for each sub-sector, how the capital expenditure in Table 10 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, 1967", published by Her Majesty's Stationery Office.

NATIONAL INCOME ACCOUNTS

INTRODUCTION TO TABLES—*continued*

In Tables 8 to 12 the provisional outturn for public expenditure in 1967-68 is expressed at current prices. The estimates for 1968-69 are on the price basis used for the 1968 public expenditure survey (1968 Survey prices). Accordingly adjustment of the figures to a constant price basis is necessary before a valid comparison can be made between the two years.

The term *Public Expenditure*, as normally used in discussion of governmental spending, excludes debt interest and nationalised industries' capital expenditure. The estimate for public expenditure in 1968-69 is, therefore, arrived at as follows:

							£ million
Total public sector transactions (expenditure) for 1968-69 at 1968 Survey prices (Table 11) ...							19,386
<i>Less—</i>							
Capital expenditure of nationalised industries, etc.							1,684
Debt interest							2,078
							<hr/> 3,762
Public expenditure for 1968-69 at 1968 Survey prices							<hr/> 15,624

The figure of public expenditure for 1967-68, given in the table appended to the White Paper on "Public Expenditure in 1968-69 and 1969-70" (Cmnd. 3515), was £14,387 million at 1967 Survey prices. Adjusted to the same price basis as the 1968-69 figure given above, this would become £14,930 million. The estimated total public expenditure for 1968-69 of £15,624 million is, therefore, 4.6 per cent above that for 1967-68 on a constant price basis.

TABLE 8.—NATIONAL INCOME ACCOUNTS CLASSIFICATION

	1967-68		1968-69 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	5,267	5,235	5,885	6,037
National insurance contributions ⁽²⁾ ...	1,723	1,805	2,028	2,030
National health contributions ...	165	159	185	185
Taxes on expenditure ⁽³⁾	4,497	4,621	4,755	5,346
Gross trading surplus ⁽⁴⁾	18	20	20	20
Rent ⁽⁴⁾	90	90	92	92
Interest on loans to—				
Local authorities	212	216	262	262
Public corporations	457	460	597	597
Other interest, dividends, etc. ...	144	214	202	202
TOTAL	12,573	12,820	14,026	14,771
CAPITAL RECEIPTS				
Current surplus ⁽⁴⁾	1,175	996	1,404	2,094
Taxes on capital	324	358	406	481
Loan repayments from overseas governments	30	33	35	35
Receipts from certain pension "funds" (net)	55	61	62	62
Adjustments for accruals of—				
Taxes on expenditure	—10	—8	—8	—8
Subsidies	5	5	5	5
Net borrowing by Northern Ireland central government	3	7	32	32
Miscellaneous capital transactions (net) including changes in cash balances ...	20	19	29	29
Borrowing requirement (net balance) ⁽⁶⁾ —				
Increase in net indebtedness to Bank of England Banking Department				
Increase in notes and coin in circulation				
Increase in non-marketable debt—				
National savings				
Tax reserve certificates ...				
Net receipts from market transactions				
Direct borrowing (net) from overseas governments and institutions				
Net change in gold and foreign currency reserves (increase —) ...				
Total	1,115	1,482	1,129	364
TOTAL	2,717	2,953	3,094	3,094

(1) Differences from the figures given in Table 9 of the Financial Statement 1967-68 (H.C. 404—11 April, 1967) reflect minor changes of classification.

(2) Includes Redundancy Fund contributions.

(3) Includes Selective Employment Tax—see Table 9.

(4) Before allowing for depreciation and stock appreciation.

(5) Includes advances on Votes to the Industrial Reorganisation Corporation.

(6) Details of outturn are not yet available, but they will be published in Financial Statistics as soon as possible after the close of the financial year.

OF CENTRAL GOVERNMENT TRANSACTIONS

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services	4,568	4,552	4,761	4,781
Subsidies	681	774	806	809
Debt interest	1,176	1,315	1,437	1,437
Current grants to—				
Local authorities	1,706	1,758	1,901	1,921
Personal sector	3,084	3,231	3,539	3,551
Abroad	183	194	178	178
Total current expenditure	11,398	11,824	12,622	12,677
Current surplus ⁽⁴⁾	1,175	996	1,404	2,094
TOTAL	12,573	12,820	14,026	14,771
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation	444	410	525	525
Increase in value of stocks	31	30	33	33
Capital grants to—				
Local authorities	123	144	147	147
Public corporations	13	19	26	26
Private sector	370	506	585	585
Net lending to—				
Local authorities	532	393	526	526
Public corporations ⁽⁵⁾	1,099	1,320	1,131	1,131
Private sector	5	8	16	16
Loans to overseas governments	84	102	77	77
Drawings from United Kingdom subscriptions to international lending bodies	13	18	23	23
Other net lending and investment abroad	3	3	4	4
Cash expenditure on company securities (net)	—	—	1	1
TOTAL	2,717	2,953	3,094	3,094

TABLE 9.—NATIONAL INCOME ACCOUNTS CLASSIFICATION OF CENTRAL GOVERNMENT TRANSACTIONS

Analysis and reconciliation by Fund—1967–68 provisional outturn

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts ⁽¹⁾	Total central government
	Taxation and other receipts	Supply services	Standing services and surplus	Receipts	Payments		
A. RECEIPTS							
(i) Items entering into public sector receipts (<i>see</i> Table 11)							
Taxes on income	5,296	—61	—	—	—	—	5,235
National insurance contributions, etc.	—	157	—	—	—	1,807	1,964
Taxes on expenditure: Selective employment tax	1,064	—627	—	—	—	30	467 ⁽²⁾
Other	4,091	44	—	—	—	19	4,154
Other current receipts	71	55	—	7	—	191	324
Taxes on capital and other capital transactions (net)	389	60	—	—	—	26	475
Borrowing requirement (net balance) ⁽³⁾	—	8	—	1,449	—	25	1,482
TOTAL	10,911	—364	—	1,456	—	2,098	14,101
(ii) Interest received from local authorities and public corporations	20	—	—	646	—	10	676
TOTAL RECEIPTS	10,931	—364	—	2,102	—	2,108	14,777 ⁽⁴⁾
B. EXPENDITURE							
(i) Items entering into public sector expenditure (<i>see</i> Table 11)							
Current expenditure on goods and services	9	—4,323	—4	—	—15	—219	—4,552
Debt interest	—	—	—654	654	—1,194	—121	—1,315
Current grants to personal sector	—	—989	—17	—	—	—2,225	—3,231
Other current expenditure	—	—938	—	—	—	—30	—968
Gross domestic fixed capital formation	3	—383	—	—	—	—30	—410
Other capital expenditure	12	—653	—5	—	5	—26	—667
TOTAL	24	—7,286	—680	654	—1,204	—2,651	—11,143
(ii) Grants and net lending to local authorities and public corporations	—	—1,894	—	—	—1,643	—97	—3,634
TOTAL EXPENDITURE	24	—9,180	—680	654	—2,847	—2,748	—14,777 ⁽⁴⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	—316	—	—	—	316	—
Northern Ireland Government: transfers and loans	—	—2	—194	—	—25	221	—
Purchase of United States military aircraft	—	70	—	—	—70	—	—
Other loans and advances	—	—3	—4	—	—15	22	—
Debt interest (including profits of Issue Department)	13	—9	—	63	—161	94	—
B.B.C. licence revenue	81	—81	—	—	—	—	—
Surplus receipts for surrender, etc.	128	—115	—	—	—	—13	—
Surplus on Consolidated Fund	—	—	—299	299	—	—	—
TOTAL INTERNAL TRANSACTIONS	222	—456	—497	362	—271	640	—
Grand Total (A, B and C)	11,177 ⁽⁵⁾	—10,000 ⁽⁵⁾	—1,177 ⁽⁵⁾	3,118 ⁽⁶⁾	—3,118 ⁽⁶⁾	—	—

⁽¹⁾ Includes National Insurance Funds and the Northern Ireland Government: also includes receipts of and expenditure on imputed rent and sundry timing adjustments, etc.⁽²⁾ This figure includes, in accordance with the national income accounts treatment, the net yield from the private sector and public corporations (as shown in the footnote to Table 4) together with payments of tax by the central government and local authorities.⁽³⁾ The borrowing requirement of the central government comprises the borrowing requirement of the National Loans Fund (*i.e.*, the Fund's net borrowing together with the changes in EEA sterling capital) less (or plus) any surplus (or deficit) on the National Insurance Funds and in departmental balances, etc.⁽⁴⁾ As included within Table 8.⁽⁵⁾ As included in Table 3.⁽⁶⁾ As included in Table 6.

TABLE 9.—NATIONAL INCOME ACCOUNTS CLASSIFICATION OF CENTRAL GOVERNMENT TRANSACTIONS—*continued*

Analysis and reconciliation by Fund—1968-69 Estimate after Budget changes

£ million

Receipts positive/payments negative	Consolidated Fund			National Loans Fund		Other central government funds and accounts ⁽¹⁾	Total central government
	Taxation and other receipts	Supply services	Standing services and surplus	Receipts	Payments		
A. RECEIPTS							
(i) Items entering into public sector receipts (<i>see</i> Table 11)							
Taxes on income	6,082	-45	—	—	—	—	6,037
National insurance contributions, etc.	—	179	—	—	—	2,036	2,215
Taxes on expenditure: Selective employment tax	1,393	-719	—	—	—	22	696 ⁽²⁾
Other	4,574	56	—	—	—	20	4,650
Other current receipts	70	56	—	7	—	181	314
Taxes on capital and other capital transactions (net)	508	62	—	—	—	66	636
Borrowing requirement (net balance) ⁽³⁾	—	4	—	358	—	2	364
TOTAL	12,627	-407	—	365	—	2,327	14,912
(ii) Interest received from local authorities and public corporations	19	—	—	829	—	11	859
TOTAL RECEIPTS	12,646	-407	—	1,194	—	2,338	15,771 ⁽⁴⁾
B. EXPENDITURE							
(i) Items entering into public sector expenditure (<i>see</i> Table 11)							
Current expenditure on goods and services	9	-4,547	-4	—	-16	-223	-4,781
Debt interest	—	—	-515	515	-1,299	-138	-1,437
Current grants to personal sector	—	-1,161	-16	—	—	-2,374	-3,551
Other current expenditure	—	-945	—	—	—	-42	-987
Gross domestic fixed capital formation	3	-489	—	—	—	-39	-525
Other capital expenditure	16	-702	-6	—	7	-54	-739
TOTAL	28	-7,844	-541	515	-1,308	-2,870	-12,020
(ii) Grants and net lending to local authorities and public corporations	2	-2,070	—	—	-1,572	-111	-3,751
TOTAL EXPENDITURE	30	-9,914	-541	515	-2,880	-2,981	-15,771 ⁽⁴⁾
C. TRANSACTIONS WITHIN CENTRAL GOVERNMENT							
Grant to National Insurance Funds	—	-361	—	—	—	361	—
Northern Ireland Government: transfers and loans	—	-2	-219	—	-24	245	—
Purchase of United States military aircraft	—	147	—	—	-147	—	—
Other loans and advances	—	-4	-4	—	-8	16	—
Debt interest (including profits of Issue Department)	14	-17	—	124	-160	39	—
B.B.C. licence revenue	82	-82	—	—	—	—	—
Surplus receipts for surrender, etc.	103	-85	—	—	—	-18	—
Surplus on Consolidated Fund	—	—	-1,386	1,386	—	—	—
TOTAL INTERNAL TRANSACTIONS	199	-404	-1,609	1,510	-339	643	—
Grand Total (A, B and C)	12,875 ⁽⁵⁾	-10,725 ⁽⁵⁾	-2,150 ⁽⁵⁾	3,219 ⁽⁶⁾	-3,219 ⁽⁶⁾	—	—

⁽¹⁾ Includes National Insurance Funds and the Northern Ireland Government; also includes receipts of and expenditure on imputed rent and sundry timing adjustments, etc.⁽²⁾ This figure includes, in accordance with the national income accounts treatment, the net yield from the private sector and public corporations (as shown in the footnote to Table 4) together with payments of tax by the central government and local authorities.⁽³⁾ The borrowing requirement of the central government comprises the borrowing requirement of the National Loans Fund (*i.e.*, the Fund's net borrowing together with changes in EEA sterling capital) less (or plus) any surplus (or deficit) on the National Insurance Funds and in departmental balances, etc.⁽⁴⁾ As included within Table 8.⁽⁵⁾ As included in Table 3.⁽⁶⁾ As included in Table 6.

TABLE 10.—NATIONAL INCOME ACCOUNTS CLASSIFICATION

	1967-68		1968-69 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT RECEIPTS				
Taxes on income	5,254	5,221	5,869	6,021
National insurance contributions, etc. ...	1,888	1,964	2,213	2,215
Taxes on expenditure, central government ⁽²⁾ ...	4,497	4,621	4,755	5,346
Local rates	1,501	1,480	1,548	1,548
Gross trading surplus ⁽³⁾ —				
Central government and local authorities ...	106	97	105	105
Public corporations	1,177	1,170	1,343	1,343
Rent ⁽³⁾	848	806	867	867
Interest, dividends, etc.	270	360	355	355
TOTAL	15,541	15,719	17,055	17,800
CAPITAL RECEIPTS				
Current surplus ⁽³⁾	2,427	2,139	2,656	3,346
Taxes on capital	324	358	406	481
Capital transfers	9	9	9	9
Loan repayments from overseas governments ...	30	33	35	35
Receipts from certain pension "funds" (net) ...	55	61	62	62
Adjustments for accruals of—				
Taxes on expenditure	—10	—8	—8	—8
Subsidies	5	5	5	5
Miscellaneous capital transactions (net) including changes in cash balances	—70	—24	11	11
Borrowing requirement (net balance)—				
Central government	1,115	1,482	1,129	364
Local authorities	388	760	641	641
Public corporations	8	—200	—14	—14
Total	1,511	2,042	1,756	991
TOTAL	4,281	4,615	4,932	4,932

⁽¹⁾ Differences from the figures given in Table 11 of the Financial Statement 1967-68 (H.C. 404—11 April, 1967) reflect minor changes of classification.

⁽²⁾ Includes Selective Employment Tax.

⁽³⁾ Before allowing for depreciation and stock appreciation.

⁽⁴⁾ Includes B.B.C., I.T.A. and Covent Garden Market Authority.

OF PUBLIC SECTOR TRANSACTIONS

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate ⁽¹⁾	Provisional outturn	Before Budget changes	After Budget changes
CURRENT EXPENDITURE				
Current expenditure on goods and services—				
Central government	4,568	4,552	4,761	4,781
Local authorities	2,495	2,600	2,735	2,755
Subsidies—				
Central government	681	774	806	809
Local authorities	64	74	70	70
Debt interest	1,806	1,918	2,078	2,078
Current grants to personal sector—				
Central government	3,084	3,231	3,539	3,551
Local authorities	233	237	232	232
Current grants abroad	183	194	178	178
Total current expenditure	13,114	13,580	14,399	14,454
Current surplus ⁽³⁾	2,427	2,139	2,656	3,346
TOTAL	15,541	15,719	17,055	17,800
CAPITAL EXPENDITURE				
Gross domestic fixed capital formation—		17927		19147
Central government	444	410	525	525
Local authorities	1,500	1,640	1,735	1,735
Nationalised industries, etc. ⁽⁴⁾	1,609	1,629	1,676	1,676
Other public corporations	125	81	118	118
Increase in value of stocks—				
Central government	31	30	33	33
Nationalised industries, etc. ⁽⁴⁾	—19	30	—2	—2
Capital grants to private sector	392	527	608	608
Net lending to private sector	42	84	114	114
Loans to overseas governments	84	102	77	77
Drawings from United Kingdom subscriptions to international lending bodies	13	18	23	23
Other net lending and investment abroad	12	11	14	14
Cash expenditure on company securities (net)	48	53	11	11
TOTAL	4,281	4,615	4,932	4,932

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TABLE 11.—NATIONAL INCOME ACCOUNTS CLASSIFICATION OF PUBLIC SECTOR TRANSACTIONS
Analysis by sub-sector

£ million

Receipts positive/payments negative	1967-68 Provisional outturn				1968-69 Estimates after Budget changes			
	Central government	Local authorities	Public corporations ⁽¹⁾	Total	Central government	Local authorities	Public corporations ⁽¹⁾	Total
A. RECEIPTS								
Taxes on income	5,235	—	—14	5,221	6,037	—	—16	6,021
National insurance contributions, etc. ...	1,964	—	—	1,964	2,215	—	—	2,215
Taxes on expenditure	4,621	1,480 ⁽²⁾	—	6,101	5,346	1,548 ⁽²⁾	—	6,894
Gross trading surplus	20	77	1,170	1,267	20	85	1,343	1,448
Rent, interest and dividends, etc. ...	304	754	108	1,166	294	813	115	1,222
Taxes on capital and other capital transactions (net)	475	—50	9	434	636	—50	9	595
Borrowing requirement (net balance) ...	1,482	760	—200	2,042	364	641	—14	991
TOTAL RECEIPTS	14,101	3,021	1,073	18,195	14,912	3,037	1,437	19,386
B. EXPENDITURE								
Current expenditure on goods and services	—4,552	—2,600	—	—7,152	—4,781	—2,755	—	—7,536
Debt interest	—1,315	—489	—114	—1,918	—1,437	—529	—112	—2,078
Current grants to personal sector ...	—3,231	—237	—	—3,468	—3,551	—232	—	—3,783
Other current expenditure	—968	—74	—	—1,042	—987	—70	—	—1,057
Gross domestic fixed capital formation ...	—410	—1,640	—1,710	—3,760	—525	—1,735	—1,794	—4,054
Other capital expenditure	—667	—60	—128	—855	—739	—48	—91	—878
TOTAL EXPENDITURE	—11,143	—5,100	—1,952	—18,195	—12,020	—5,369	—1,997	—19,386
C. TRANSACTIONS WITHIN PUBLIC SECTOR								
Interest on loans	676	—216	—460	—	859	—262	—597	—
Current grants	—1,758	1,758	—	—	—1,921	1,921	—	—
Capital grants	—163	144	19	—	—173	147	26	—
Net lending	—1,713	393	1,320	—	—1,657	526	1,131	—
TOTAL	—2,958	2,079	879	—	—2,892	2,332	560	—

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

⁽²⁾ Local rates.

TABLE 12.—CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

£ million

	1967-68		1968-69 Estimate	
	Budget Estimate	Provisional outturn	Before Budget changes	After Budget changes
CAPITAL EXPENDITURE				
Central government	950	1,077	1,264	1,264
Local authorities	1,526	1,700	1,783	1,783
Public corporations	1,805	1,838	1,885	1,885
TOTAL (as in Table 10)	4,281	4,615	4,932	4,932
FINANCED BY:				
Saving ⁽¹⁾	2,427	2,139	2,656	3,346
Taxes on capital and other capital transactions (net)	351	234	506	581
Central government borrowing requirement ...	1,115	1,482	1,129	364
Local authority net borrowing from non-government sources	388	760	641	641
TOTAL	4,281	4,615	4,932	4,932
ANALYSIS OF FINANCING BY SUB-SECTOR				
<i>Central government</i>				
Saving ⁽¹⁾	1,175	996	1,404	2,094
Taxes on capital	324	358	406	481
Other capital transactions (net)	103	117	155	155
Less: Capital grants to local authorities and public corporations	-136	-163	-173	-173
Less: Net lending to local authorities and public corporations	-1,631	-1,713	-1,657	-1,657
Borrowing requirement (net balance)	1,115	1,482	1,129	364
TOTAL CAPITAL EXPENDITURE... ..	950	1,077	1,264	1,264
<i>Local authorities</i>				
Saving ⁽¹⁾	576	453	519	519
Capital grants from central government	123	144	147	147
Other capital transactions (net) ⁽²⁾	-93	-50	-50	-50
Net borrowing from central government	532	393	526	526
Net borrowing from other sources (net balance) ...	388	760	641	641
TOTAL CAPITAL EXPENDITURE... ..	1,526	1,700	1,783	1,783
<i>Public corporations</i>				
Saving ⁽¹⁾	676	690	733	733
Capital grants from central government	13	19	26	26
Other capital transactions (net) ⁽³⁾	17	-191	-5	-5
Net borrowing from central government	1,099	1,320	1,131	1,131
TOTAL CAPITAL EXPENDITURE... ..	1,805	1,838	1,885	1,885

⁽¹⁾ 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.

⁽²⁾ Includes unidentified transactions.

⁽³⁾ Includes "borrowing requirement (net balance)" shown in Tables 10 and 11.

PART III

ECONOMIC FORECAST

THE ECONOMIC OUTLOOK TO MID-1969

The following pages amplify the Government's assessment of the economic outlook as outlined in the Budget speech. The forecasts take account of all the measures proposed by the Chancellor. While the inclusion of the forecast in the Financial Statement makes possible a more complete exposition than in previous years it must be emphasised that this in no way reduces the wide margin of uncertainty that is necessarily associated with economic forecasting. On the contrary, uncertainties arising from devaluation make for particularly wide margins of error on this occasion.

THE DOMESTIC OUTLOOK

2. There are still some major uncertainties about the level of economic activity in the second half of 1967. In particular, it is not yet possible to assess the extent to which the drop in exports was attributable to the effects of the dock strike rather than to a drop in demand. A provisional assessment suggests that the level of output rose slowly during 1967 and in the second half of the year was about 1 per cent above the 1966 level.

3. The prospects for 1968 and for the first half of 1969 are dominated by the effects of devaluation and of the Government's measures to restrain demand. The factors involved are best indicated by a brief discussion of each of the main sectors of expenditure. For convenience, the text normally refers to developments over the whole period from the second half of 1967 to the first half of 1969, but the percentage changes are expressed in *annual rates* in order to maintain comparability with the more conventional yearly periods. The forecast rates of change are frequently given in terms of a small range but it must be understood that this is not intended to indicate the full range of possible outcomes. Forecasts for each half-year up to mid-1969 are given in Tables 13 and 14.

4. The volume of *public authorities' current expenditure* on goods and services is forecast to rise at an annual rate of 2-2½ per cent.⁽¹⁾

5. A substantial slowing down in the growth of *public sector investment* is expected partly as a result of recent cuts to public authorities' programmes but also because of the slackening of the rise in investment by nationalised industries, particularly electricity. However, significant increases are still expected in investment in housing, roads, schools and hospitals. For the volume of public investment as a whole, expansion at an annual rate of slightly over 2 per cent is forecast.⁽¹⁾

6. *Private sector investment* is likely to rise more strongly. The Board of Trade's investment intentions enquiry indicated that very substantial increases in

⁽¹⁾ The figures referred to here and in Table 13 differ from those shown for the corresponding categories of Table 11 for the following reasons. First, all series have been revalued at constant 1958 prices. Secondly, some figures for the past have been smoothed. Thirdly, there are differences of coverage. For example, investment by the steel industry has been treated, for forecasting purposes, in conjunction with investment by private sector manufacturers. The forecast increases between the financial years 1967-68 and 1968-69 are 2½-3 per cent for public authorities' consumption and about 3½ per cent for public sector investment.

ECONOMIC FORECAST—*continued*THE ECONOMIC OUTLOOK TO MID-1969—*continued*

industrial and commercial investment in 1968 were being planned prior to devaluation. While the effects of devaluation and the subsequent measures will not be uniform, the shift in the pattern of demand can be expected on balance to increase, for any given level of output, requirements for new capital equipment: however, the size and timing of these effects is extremely uncertain. The growth of exports and investment this year will probably lead to a fast expansion in manufacturing output. For this reason manufacturing investment is expected to go on rising quickly during 1969, though the restraints on consumption could mean a falling off in investment in distributive and service industries. Last year's rise in housing investment will probably be checked by the restraints on real personal incomes. The outcome will depend, to some extent, on the availability of finance. For private investment in total a rate of increase of about 7 per cent is forecast.

7. Apart from the effects of the dock strike, *stockbuilding* was probably exceptionally low in the second half of 1967 and a return to a more normal level will add appreciably to the growth of demand over the forecast period.

8. *Personal consumption* will be restrained by the measures proposed by the Government and by the price increases following devaluation. The forecasts take account of all aspects of Government policy as announced in the Budget speech and on previous occasions. These include taxation and grants to persons, credit policy and incomes policy. The increases which are foreseen in import prices and indirect taxes, combined with some increase in domestic costs, mean that the rise in consumer prices will probably exceed the growth of disposable incomes and that real incomes may fall a little. Furthermore, the restrictions on consumer credit imposed in November (through the ceiling on advances by banks and other financial institutions and the tightening of hire-purchase terms on cars) will mean a substantial fall compared with the second half of 1967 in the amount of consumption that can be financed by these methods. The check to the growth of real personal disposable incomes is a factor which would be likely to lead to a squeeze on savings. On the other hand, the restriction of credit will work in the opposite direction, so that there is no reason to expect any large change in the ratio of net savings to disposable incomes. On these assumptions a small fall in the volume of personal consumption is forecast. The likely path is a dip this year followed by some recovery in the first half of 1969.

9. World activity and trade, particularly trade of industrial countries, seems likely to be rising over the forecast period and some rise in the volume of United Kingdom exports would have been in prospect even in the absence of devaluation. The cost increases incurred by United Kingdom exporters as a result of devaluation, the withdrawal of the export rebate and SET premiums, and the increases in indirect taxation are likely to reach about 6 per cent. This means a relative advantage of about 9 per cent compared with competitors who have not devalued. Some of this may well be used to increase profit margins and promotional expenditure and some to reduce relative prices. The consequent benefit to the volume of exports seems likely to be achieved gradually and is unlikely to be fully realised during the period under review.

ECONOMIC FORECAST—*continued*THE ECONOMIC OUTLOOK TO MID-1969—*continued*

10. The most probable outcome for the volume of *exports of goods and services* is an increase at an annual rate of about 11 per cent. If an adjustment is made for the effects of the dock strike, this becomes a rate of about 7–8 per cent. It is extremely difficult to assess the speed at which the competitive advantages of devaluation will make themselves felt. It is perfectly possible that export demand will build up more quickly than has been forecast and it is important, from the point of view of budgetary planning, that the domestic economy should be in a position from which it can respond to a fast growth of export demand. Accordingly, an alternative forecast has been prepared in which the volume of exports of goods is assumed to rise from early 1968 at a rate 3 per cent a year faster than in the main forecast. On this alternative, the volume of exports of goods and services would rise at about 13 per cent a year. (The difference over the 18-month period from the second half of 1967 is less than 3 per cent a year because the divergence begins only in 1968, and because it concerns exports of goods, not of services as well).

11. The developments described so far would be sufficient to raise *total final expenditure* by 2–2½ per cent. If exports rose more quickly this might become nearly 3 per cent. In the past, increases in the volume of *imports of goods and services* have tended to be rather larger than increases in final expenditure. However, as a result of devaluation, it is expected that very little of the increase in expenditure will, on this occasion, be met from imports. Domestic output (*gross domestic product*) is therefore likely to rise proportionately more than final expenditure.

12. In the light of these considerations, the probable rate of growth of output is put in the range 3 to 4 per cent a year. An outcome towards the upper end of this range would be likely if exports grow at the higher rate suggested above: an illustration is given in Table 14. If the growth of exports is as suggested in the main forecast (Table 13), gross domestic product is likely to rise at an annual rate of slightly over 3 per cent. The forecast shows that more than half of the increase in output between the second half of 1967 and the first half of 1969—quite apart from the distortions caused by the dock strike—is expected to be devoted to the improvement of the overseas balance.

THE BALANCE OF PAYMENTS

13. The increase in the balance of payments deficit last year was attributable in large part to temporary disturbances in the visible trade account and to the heavy initial cost of the closure of the Suez Canal. The prospect, quite apart from the effects of devaluation, would have been for a considerable reduction from last year's rate of deficit, though the position would still have been unsatisfactory. Devaluation and the accompanying measures are expected to lead to the emergence of a very substantial rate of surplus.

14. The main element in the improvement of the balance of payments will be a big turn-round in the *balance of trade*, with the volume of exports rising sharply as indicated in paragraph 10 and little change in the volume of imports. A fairly rapid reflection of devaluation in import prices seems likely, with a rise of perhaps 12 or 13 per cent on average, effective within comparatively few months. Export prices in sterling will also rise substantially, though the rise will probably be spread over a longer period.

ECONOMIC FORECAST—*continued*THE ECONOMIC OUTLOOK TO MID-1969—*continued*

15. *Net invisible earnings* were again relatively low in 1967, mainly because of the big initial adverse impact of the closure of the Suez Canal. For 1968, some recovery could be expected mainly reflecting underlying upward trends. The effects of devaluation will be to increase net earnings in sterling terms. One important factor is that most income from interest, profits and dividends, arises in countries which have not devalued. These earnings are thus maintained in terms of foreign exchange and rise in terms of sterling. Most outgoings, on the other hand, are denominated in sterling. For many services, such as shipping and civil aviation, prices will continue to be determined largely by world rates so that there will be little adverse terms of trade effect as a result of devaluation and some net gain in terms of volume. For other services, particularly travel, where there will be an adverse effect on the terms of trade, there should be substantially offsetting volume changes. On government services, however, most of which are purchased in countries which have not devalued, expenditure, in sterling terms, will rise.

16. The normal net outflow of official *long-term capital* is not expected to change much. Net drawings of credit to finance purchases of United States military aircraft will fall sharply by the end of the forecast period. It is very difficult to make firm predictions about private net long-term capital flows. This section of the balance of payments account has already been brought close to balance: the future benefit from increased competitiveness of the United Kingdom and of improved confidence in sterling may be offset, to some extent, by the effects of the recent United States measures to reduce direct investment and financial outflows from that country.

17. It is clear that there will be a large improvement on identified current and long-term capital during the period of the forecast. After a deficit of £540 million in 1967 the position is expected to move from deficit into surplus during 1968 and a substantial surplus is forecast for the first half of 1969. It would appear that the Government's target of a £500 million surplus (at an annual rate) is within reach in the course of 1969.

TABLE 13.—FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT

£ million at 1958 prices, seasonally adjusted

	Consumers' expenditure	Public authorities' consumption	Fixed investment	Exports of goods and services	Investment in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Gross domestic product at factor cost	G.D.P. index 1966 = 100
1966	19,720	4,530	5,660	6,310	220	36,440	6,490	3,580	26,370	100.0
1967	20,060	4,720	5,920	6,240	190	37,130	6,870	3,680	26,580	100.8
1968	20,110	4,850	6,230	6,730	160	38,080	7,000	3,700	27,380	103.8
1967 2nd half	10,170	2,370	2,990	2,980	120	18,630	3,450	1,860	13,320	101.0
1968 1st half	10,130	2,410	3,070	3,360	—	18,970	3,530	1,860	13,580	103.0
2nd half	9,980	2,440	3,160	3,370	160	19,110	3,470	1,840	13,800	104.7
1969 1st half	10,000	2,450	3,190	3,480	160	19,280	3,490	1,850	13,940	105.7
<i>Percentage Changes</i>										
2nd half 1967 to 2nd half 1968	—1.9	3.0	5.7	13.1 (7.8) ⁽¹⁾		2.6	0.6	—1.1	3.6	
1st half 1968 to 1st half 1969	—1.3	1.7	3.9	3.6 (7.3) ⁽¹⁾		1.6	—1.1	—0.5	2.7	
2nd half 1967 to 1st half 1969 (annual rate)	—1.1	2.2	4.4	10.9 (7.4) ⁽¹⁾		2.3	0.8	—0.4	3.1	

⁽¹⁾ Figures in brackets have been very approximately adjusted for the effects of the dock strikes.

The purpose of Table 13 is to ensure a complete and unambiguous description of the forecast and to permit comparisons over periods other than those referred to in the text. It is particularly emphasised that the presentation of figures rounded to the nearest £10 million does *not* imply accuracy of this order. The table was completed before the latest official estimates of Gross Domestic Product published in *Preliminary Estimates of National Income and Balance of Payments 1962 to 1967* (Cmnd. 3571, March 1968) were available. However, the figures for the past also differ from the earlier estimates, including quarterly figures up to the third quarter of 1967, published in *Economic Trends* for January 1968. Alternative estimates of Gross Domestic Product are available from expenditure, income and output data and these may differ in their short-period movements. For forecasting purposes a single appreciation of recent developments is desirable, and the figures shown here for the past are essentially a compromise between the three alternative estimates. In addition, estimated adjustments are made for known aberrations (*e.g.*, the effects of dock strikes). The differences between the compromise and expenditure series are allocated, at the forecasters' discretion, between the components of expenditure. Official estimates for the second half of 1967 are not yet available. In the figures shown here an allowance for exports delayed by the dock strike has been allocated to stockbuilding. Partly for this reason the figures for investment in stocks are high in relation to the published provisional estimates of manufacturers' and distributors' stockbuilding. This treatment provides a movement in output more consistent with that suggested by industrial production.

TABLE 14.—IMPLICATIONS OF HIGHER EXPORT GROWTH⁽¹⁾

£ million at 1958 prices, seasonally adjusted

	Exports of goods and services		Gross domestic product at factor cost	
	Main forecast	Higher alternative	Main forecast	Higher alternative
1968 1st half	3,360	3,380	13,580	13,600
2nd half	3,370	3,420	13,800	13,850
1969 1st half	3,480	3,570	13,940	14,050
<i>Percentage changes⁽²⁾</i>				
2nd half 1967 to 2nd half 1968 ...	13.1 (7.8)	14.8 (9.4)	3.6	4.0
1st half 1968 to 1st half 1969	3.6 (7.3)	5.6 (9.4)	2.7	3.3
2nd half 1967 to 1st half 1969 (annual rate)	10.9 (7.4)	12.8 (9.2)	3.1	3.6

⁽¹⁾ The table illustrates the effects on the forecast if the volume of exports of goods rose from its level at the beginning of 1968 at an annual rate 3 per cent faster than in the main forecast. The alternative forecast for G.D.P. allows for multiplier and accelerator effects.

⁽²⁾ The figures in brackets have been very approximately adjusted for the effects of the dock strikes.

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