

# FINANCIAL STATEMENT (1937-38)

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RETURN to an Order of the Honourable The House of Commons  
dated 20th April, 1937:—*for*

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

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Treasury Chambers, } JOHN COLVILLE  
20th April, 1937 }

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*(Colonel Colville)*

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*Ordered by The House of Commons to be Printed  
20th April, 1937*

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LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

Adastral House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;

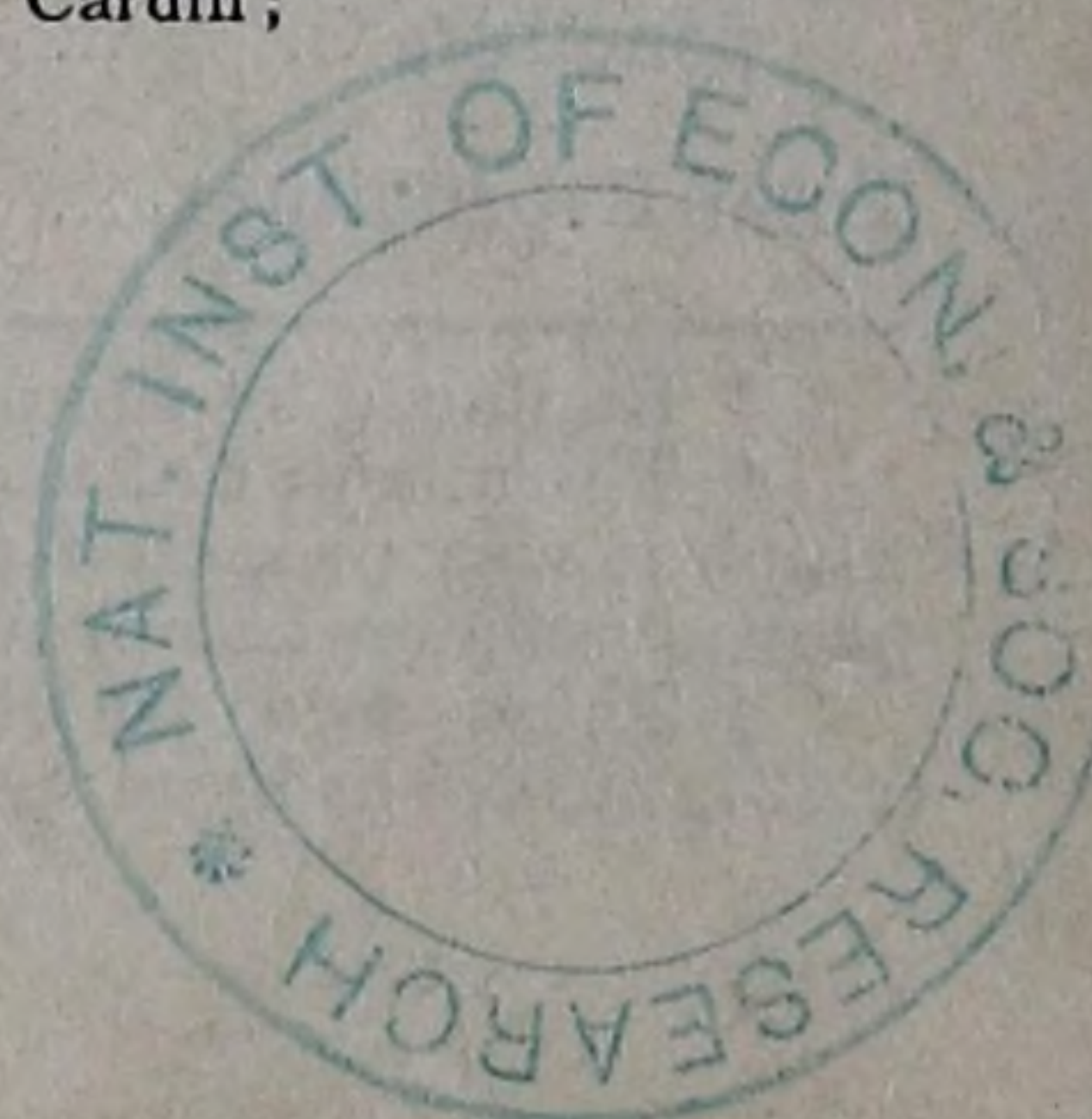
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1936-37.

TABLE I.—Comparison of Exchequer Issues with Estimated Expenditure.

	1936-37.			
	Total Expenditure provided for in the Budget.	Additional Expenditure for which Supplementary Estimates and Excess Votes were presented.	Total Estimated Expenditure.	Exchequer Issues.
<b>Ordinary Expenditure.</b>	£	£	£	£
<b>CONSOLIDATED FUND SERVICES.</b>				
Interest and Management of National Debt ... ..	224,000,000	—	224,000,000	210,873,000§
Payments to Northern Ireland Exchequer (including net share of reserved taxes, £6,957,000) ...	7,500,000	—	7,500,000	7,996,000
Other Consolidated Fund Services ... ..	3,200,000	—	3,200,000	3,240,000
Post Office Fund ... ..	600,000	—	600,000	420,000
<b>Total ... ..</b>	<b>235,300,000</b>	<b>—</b>	<b>235,300,000</b>	<b>222,529,000</b>
<b>SUPPLY SERVICES (excluding Post Office).</b>				
Army Votes (including Ordnance Factories) ...	49,321,000	6,894,000	56,215,000	54,846,000
Navy Votes ... ..	69,930,000	11,359,000	81,289,000	81,092,000
Air Votes ... ..	39,000,000	11,700,000	50,700,000	50,134,000
Margin for Supplementary Estimates ... ..	20,000,000	20,000,000*	—	—
<b>Total Defence Services ...</b>	<b>178,251,000</b>	<b>9,953,000</b>	<b>188,204,000</b>	<b>186,072,000</b>
Civil Votes ... ..	365,254,000	11,138,000	376,392,000	367,711,000
Margin for Supplementary Estimates ... ..	5,600,000	5,600,000*	—	—
Customs and Excise and Inland Revenue Votes ...	13,492,000	—	13,492,000	13,447,000
<b>Total Supply Services (excluding Post Office) ...</b>	<b>562,597,000</b>	<b>15,491,000</b>	<b>578,088,000</b>	<b>567,230,000</b>
<b>Total Ordinary Expenditure</b>	<b>797,897,000</b>	<b>15,491,000</b>	<b>813,388,000</b>	<b>789,759,000</b>
NEW SINKING FUND (1928)...	—†	—	—	13,127,000§
<b>Total Ordinary Expenditure and New Sinking Fund ...</b>	<b>797,897,000</b>	<b>15,491,000</b>	<b>813,388,000</b>	<b>802,886,000</b>
<b>SELF-BALANCING EXPENDITURE.</b>				
Post Office ... ..	69,344,000	2,600,000	71,944,000	71,880,000
Road Fund ... ..	26,500,000	—	26,500,000	27,427,000
<b>Total Self-Balancing Expenditure ... ..</b>	<b>95,844,000</b>	<b>2,600,000</b>	<b>98,444,000</b>	<b>99,307,000</b>
<b>Total Expenditure ... ..</b>	<b>893,741,000</b>	<b>18,091,000</b>	<b>911,832,000</b>	<b>902,193,000</b>

\* Replaced by the presentation of Supplementary Estimates.

† The amount of the Statutory Sinking Funds in 1936-37 was estimated at £10,193,000, which it was proposed to meet by borrowing. In the event, the Permanent Debt Charge proved sufficient to provide for these Sinking Funds out of Revenue.

§ These two items together make up the total of the Permanent Debt Charge (£224,000,000) as fixed by Section 30 (1) of the Finance Act, 1936.



1936-37.

TABLE II.—Comparison of Exchequer Receipts with Budget Estimate.

1935-36 Exchequer Receipts.	—	1936-37.		
		Budget Estimate.	Exchequer Receipts.	+ Increase or - Decrease.
	<b>Ordinary Revenue—</b>			
£	<b>INLAND REVENUE.</b>	£	£	£
238,074,000	Income Tax ... ..	259,000,000	257,237,000	- 1,763,000
51,020,000	Sur-tax ... ..	56,500,000	53,540,000	- 2,960,000
87,920,000	Estate Duties ... ..	89,000,000	87,990,000	- 1,010,000
25,800,000	Stamps ... ..	27,000,000	29,140,000	+ 2,140,000
2,085,000	Other Inland Revenue Duties ... ..	1,500,000	1,730,000	+ 230,000
404,899,000		433,000,000	429,637,000	- 3,363,000
	<b>CUSTOMS AND EXCISE.</b>			
196,642,000	Customs ... ..	207,525,000	211,282,000	+ 3,757,000
106,700,000	Excise ... ..	110,000,000	109,500,000	- 500,000
303,342,000		317,525,000	320,782,000	+ 3,257,000
	<b>MOTOR VEHICLE DUTIES.</b>			
4,977,000	Exchequer Share ... ..	5,000,000	5,300,000	+ 300,000
713,218,000	<b>TOTAL RECEIPTS FROM TAXES ... ..</b>	755,525,000	755,719,000	+ 194,000
11,670,000	Post Office (Net Receipt) ...	11,256,000	10,970,000	- 286,000
—	Post Office Fund ... ..	—	100,000	+ 100,000
1,360,000	Crown Lands ... ..	1,350,000	1,350,000	—
4,934,000	Receipts from Sundry Loans ... ..	5,000,000	4,550,000	- 450,000
21,738,000	Miscellaneous ... ..	25,250,000	24,600,000	- 650,000
752,920,000	<b>Total Ordinary Revenue</b>	798,381,000	797,289,000	- 1,092,000
	<b>SELF-BALANCING REVENUE.</b>			
66,080,000	Post Office ... ..	69,344,000	71,880,000	+ 2,536,000
25,775,000	Road Fund ... ..	26,500,000	27,427,000	+ 927,000
91,855,000	<b>Total Self - Balancing Revenue ... ..</b>	95,844,000	99,307,000	+ 3,463,000
844,775,000	<b>Total Revenue ... ..</b>	894,225,000	896,596,000	+ 2,371,000



1936-37.

TABLE III giving the EXCHEQUER BALANCE SHEET of 1936-37.

Receipts.		Payments.	
Ordinary Revenue	£ 797,289,000	Ordinary Expenditure	£ 789,759,000
		New Sinking Fund (1928)	13,127,000†
Self-Balancing Revenue	99,307,000	Total Ordinary Expenditure and New Sinking Fund	802,886,000
Total Revenue	896,596,000	Self-Balancing Expenditure	99,307,000
		Total Expenditure	902,193,000
Money raised by Creation of Debt:—	£	Issues for Purchase or Redemption of Deadweight Debt as follows:—	
National Savings Certificates	25,600,000	National Savings Certificates (principal repaid)	£ 27,100,000
2½ per cent. Funding Loan, 1956-61	71,700,000	National Savings Bonds	117,000
2¾ per cent. Funding Loan 1952-57	99,100,000	Treasury Bonds	69,288,000
Ways and Means Advances (net)	4,480,000	Treasury Bills (net)	88,529,000
	200,880,000	Other Debt under the War Loan Acts, 1914-19	3,975,000
			189,009,000
Repayments, &c. :—		Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934	371,000
Under Land Settlement Facilities Acts, 1919 and 1921	138,000	Issues under Section 4 (3) of the British Shipping (Assistance) Act, 1935	3,012,000
Suez Canal Drawn Shares	36,000	Issues under Section 26 (1) of the Tithe Act, 1936	118,000
		Issues to National Debt Commissioners—	
Exchequer Balance on 31st March, 1936	2,730,000	Suez Canal Drawn Shares	36,000
		Old Sinking Fund, 1935-36	2,941,000
	1,100,380,000	Exchequer Balance on 31st March, 1937	2,700,000
			1,100,380,000

† The following issues out of Revenue to purchase or redeem Debt are included under the head of New Sinking Fund (1928):—

	£
<i>Specific Sinking Funds:</i> —	
Capital of Terminable Annuities	933,000
4 per cent. Funding Loan Sinking Fund	4,141,000
3 per cent. Funding Loan Sinking Fund	1,688,000
Victory Bonds Sinking Fund	3,434,000
Balance issued to National Debt Commissioners to redeem Debt	2,931,000
Total	13,127,000



TABLE IV.  
NATIONAL DEBT (Approximate Totals).

INTERNAL DEBT.						£
Consols, &c.	...	...	...	...	...	313,284,000
Terminable Annuities	...	...	...	...	...	12,164,000
3½% Conversion Loan	...	...	...	...	...	739,402,000
4% Consolidated Loan	...	...	...	...	...	400,739,000
3½% War Loan	...	...	...	...	...	1,911,459,000
4% Funding Loan, 1960-90	...	...	...	...	...	354,021,000
3% Funding Loan, 1959-69	...	...	...	...	...	145,578,000
2¾% Funding Loan, 1952-57	...	...	...	...	...	100,609,000
2½% Funding Loan, 1956-61	...	...	...	...	...	200,274,000
4% Victory Bonds	...	...	...	...	...	316,934,000
5% Conversion Loan, 1944-64	...	...	...	...	...	322,842,000
4½% Conversion Loan, 1940-44	...	...	...	...	...	365,922,000
3% Conversion Loan, 1948-53	...	...	...	...	...	301,838,000
2½% Conversion Loan, 1944-49	...	...	...	...	...	206,526,000
1% Treasury Bonds, 1939-41	...	...	...	...	...	100,000,000
National Savings Certificates*	...	...	...	...	...	389,950,000
National Savings Bonds	...	...	...	...	...	4,207,000
Treasury Bills	...	...	...	...	...	674,595,000
Ways and Means Advances	...	...	...	...	...	23,535,000
<i>Total Internal Debt</i>	...	...	...	...	...	<u>6,883,879,000</u>
EXTERNAL DEBT.†						
5½% Twenty-year Bonds, 1937 (\$719,508)‡	...	...	...	...	...	148,000
U.S.A. Government Loan (\$4,368,000,000)	...	...	...	...	...	897,534,000
Loans from certain Allied Governments	...	...	...	...	...	134,887,000
<i>Total External Debt</i>	...	...	...	...	...	<u>1,032,569,000</u>
<i>Total National Debt</i>	...	...	...	...	...	<u>7,916,448,000</u>
<i>Deduct:</i>						
Victory Bonds, &c., purchased by National Debt Commissioners, but not yet cancelled						119,297,000
<i>Net Total on 31st March, 1937</i>	...	...	...	...	...	<u>7,797,151,000</u>

\* National Savings Certificates are shown at issue price, exclusive of accrued interest.

† At par of exchange.

‡ Balance unissued at 31st March, 1937.



TABLE V.

## WAR LOANS TO DOMINIONS AND COLONIES (see note ¶ below).

CAPITAL SUMS OUTSTANDING ON 31st MARCH, 1937:—

	£	£
Australia ... ..	79,724,000	
New Zealand ... ..	26,191,000	
Newfoundland .. ...	400,000	
		<u>106,315,000</u>

LOANS TO ALLIES, &amp;c. (see note ¶ below).

## I. FUNDED—

AGGREGATE OF AGREED ANNUITY PAYMENTS DUE UNDER FUNDING AGREEMENTS EXISTING AT 1st JULY, 1932, AND OUTSTANDING ON 31st MARCH, 1937.

*Allied War Debts:—*

	£	£
France ... ..	755,875,000*	
Italy ... ..	252,938,000	
Roumania ... ..	30,375,000	
Portugal ... ..	22,425,000	
Jugoslavia ... ..	31,750,000	
Greece ... ..	22,375,000	
		<u>1,115,738,000</u>

CAPITAL SUMS OUTSTANDING ON 31st MARCH, 1937:—

*Relief and Reconstruction Loans:—**Repayable by instalments of principal and interest:—*

	£	£
Belgium ... ..	9,000,000	
Belgian Congo ... ..	3,600,000	
Poland ... ..	3,899,000	
Roumania ... ..	2,101,000	
Estonia ... ..	218,000	
Jugoslavia ... ..	1,945,000	
Austria ... ..	8,825,000	
		<u>29,588,000</u>

*Other Debts:—**Repayable by instalments of principal or of principal and interest:—*

	£	£
Latvia ... ..	1,244,000	
Greece ... ..	43,000	
Poland ... ..	71,000	
Czechoslovakia ... ..	403,000	
Roumania ... ..	18,000	
Estonia ... ..	917,000	
Lithuania ... ..	30,000	
Poland (Upper Silesia Plebiscite) ... ..	614,000	
		<u>3,340,000</u>

## II. NOT FUNDED—

CAPITAL SUMS OWING ON 31st MARCH, 1937:—

*Allied War Debts:—*

	£
Russia ... ..	<u>1,377,654,000</u>

*Relief and Reconstruction Loans:—*

Armenia ... ..	<u>225,000</u>
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*Other Debts:—*

Armenia ... ..	<u>1,631,000</u>
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\* Excluding the non-interest-bearing debt of £53,500,000 which may be regarded as set off against the equivalent liability of His Majesty's Government to the French Government in respect of gold deposited during the War.

¶ Payments in respect of these inter-governmental loans due from 1st July, 1931 to 30th June, 1932 (the "Hoover" year) were suspended. The amounts suspended in respect of War Debts, together with interest, are payable by means of annuities in the period 1st July, 1933 to 30th June, 1943. From 1st July, 1932, payments in respect of War Debts have been suspended in accordance with the arrangements made at the Lausanne Conference (Cmd. 4129).



TABLE VI.—Comparison of Estimated EXPENDITURE.

[In this and subsequent tables account is not taken of the sums, estimated at £80,000,000, to be met from borrowed moneys in 1937-38 under the Defence Loans Act, 1937.]

	1936-37* (Original Estimates).		1937-38 (on existing basis).		
	£000.	£000.	£000.	£000.	Increase + or Decrease -. £000.
1. GRANTS FOR LOCAL AND OTHER SERVICES ... (For details see Table A)	...	179,163		181,274	+ 2,111
2. IRISH SERVICES† ...	...	14,855		15,162	+ 307
3. NATIONALLY ADMINISTERED SERVICES— National Debt Interest and Management ...	...	224,000		224,000	—
National Pensions and Insurance, and Unemployment Assistance (For details see Table B)	...	181,662		182,497	+ 835
Defence—					
(a) Army (including Ordnance Factories) ...	53,162		64,664		
(b) Navy ...	77,997		78,724		
(c) Air ...	48,924		57,262		
		180,083‡		200,650‡	+ 20,567
Tax Collection—					
(a) Customs and Excise	5,537		5,690		
(b) Inland Revenue ...	8,353		8,584		
		13,890§		14,274§	+ 384
All other Services ... (For details see Table C)		30,744		34,991	+ 4,247
Margin for Supplementary Estimates ...		—*		10,000	+ 10,000
<b>Total Ordinary Expenditure</b> ...		<b>824,397</b>		<b>862,848</b>	<b>+ 38,451</b>
4. NATIONAL DEBT SINKING FUND ...		—		—	—
5. SELF-SUPPORTING SERVICES—* Post Office and Broadcasting ...		69,344		75,198	+ 5,854

\* For purposes of comparison, the sums of £25,600,000 margin for Supplementary Estimates and £26,500,000 for Road Fund (Self-Supporting Service) provided in 1936-37 have been distributed among the items to which they are appropriate.

† Of the total for 1937-38, £3,985,000 is recoverable under agreements from the Irish Free State, together with £46,000 under Table C (Civil Superannuation).

‡ The Defence total for 1936-37 consists of £178,251,000, the total of Defence Votes, and in addition £1,832,000 in respect of certain allied services, and the total for 1937-38 of corresponding amounts of £198,268,000 and £2,382,000.

§ The Tax Collection total for 1936-37 consists of £13,492,000, the total of Customs and Excise and Inland Revenue Votes, and in addition £398,000 in respect of certain allied services, &c., and the total for 1937-38 of corresponding amounts of £13,896,000 and £378,000.



TABLE A.—GRANTS FOR LOCAL AND OTHER SERVICES.

	1936-37.	1937-38.	
	£000.	£000.	Increase + or Decrease - £000.
Exchequer Contributions to Local Revenues* ...	52,258	55,127	+ 2,869
Education (excluding Teachers' Pensions) ...	54,636	56,125	+ 1,489
Agriculture (including Grants for Land Settlement, Milk and Cattle, Development Fund and Beet Sugar Subsidy) ...	8,301	10,019	+ 1,718
Health Services (in addition to provision included in first item above) ...	149	386	+ 237
Housing ...	16,846	17,218	+ 372
Roads, &c....	18,240	15,197	- 3,043
Rural Water Supplies ...	395	286	- 109
Police ...	12,960	13,626	+ 666
Unemployment Grants and Loans (including Development Grants) ...	4,970	4,480	- 490
Foreign and Imperial ...	3,017	3,135	+ 118
Colonial Development Fund ...	900	500	- 400
Scientific and Industrial Research ...	153	165	+ 12
Tramp Shipping Subsidy† ...	1,990	—	- 1,990
Special Areas Fund ...	3,000	3,500	+ 500
Miscellaneous ...	1,348	1,510	+ 162
<b>TOTAL</b> ...	<b>179,163</b>	<b>181,274</b>	<b>+ 2,111</b>

TABLE B.—NATIONAL PENSIONS AND INSURANCE, AND UNEMPLOYMENT ASSISTANCE.

	1936-37.	1937-38.	
	£000.	£000.	Increase + or Decrease - £000.
Old Age Pensions‡... ..	44,776	45,759	+ 983
War Pensions (including Merchant Seamen's Pensions)‡... ..	41,681	40,571	- 1,110
Payment to Widows', Orphans' and Old Age Contributory Pensions Account ...	15,000	16,000	+ 1,000
Grants to Insurance Schemes, &c.—			
(i) Health... ..	6,591	6,671	+ 80
(ii) Unemployment Insurance and Assistance ...	73,614	73,496	- 118
<b>TOTAL</b> ...	<b>181,662</b>	<b>182,497</b>	<b>+ 835</b>

\* Including payments in respect of rates on Tithe Rentcharge.

† Token provision only has been made at this stage for 1937-38.

‡ These items include cost of administration.



TABLE C.—ALL OTHER SERVICES.

	1936-37.	1937-38.	
	£000.	£000.	Increase + or Decrease — £000.
Foreign and Imperial Services* ...	2,086	2,138	+ 52
Air Raid Precautions* ...	500	5,151	+ 4,651
Imperial War Graves Commission* ...	504	463	- 41
Oversea Settlement* ...	24	44	+ 20
Payments under Trade Facilities Acts ...	750	450	- 300
Agriculture and Forestry* ...	2,053	2,066	+ 13
Prisons and State Asylums, &c.* ...	1,504	1,585	+ 81
Scientific Investigation and Museums*	1,327	1,397	+ 70
Training and Transference of Unemployed ...	1,440	1,067	- 373
Works, Buildings and Stationery, &c.* ...	5,890	6,774	+ 884
Teachers' Pensions ..	1,760	2,012	+ 252
Civil Superannuation (other than Revenue Departments) ...	2,098	2,300	+ 202
Post Office Fund ...	600	300	- 300
Miscellaneous (including General Administration) ...	10,208	9,244	- 964
<b>TOTAL ...</b>	<b>30,744</b>	<b>34,991</b>	<b>+ 4,247</b>

\* These items include cost of administration.



TABLE VII.—Giving figures of National Expenditure and of Rates collected by Local Authorities over a series of years.

Year.	National Expenditure.				Rates collected by Local Authorities (c).
	Expenditure charged to Revenue (a).	Borrowing by Unemployment Fund.	Expenditure out of the Road Fund.	Total of Columns 2, 3 and 4.	
(1)	(2)	(3)	(4)	(5)	(6)
	£000.	£000.	£000.	£000.	£000.
1913-14 ...	169,453	—	952	170,405	78,971
1927-28 ...	752,485	—	19,813	772,298	188,380
1928-29 ...	741,580	11,430	17,728	770,738	188,389
1929-30 ...	749,639	2,990	20,569	773,198	175,728
1930-31 ...	796,006	36,440	27,926	860,372	168,250
1931-32 ...	771,974	39,610	23,941	835,525	165,168
1932-33 ...	777,387	—	23,187	800,574	163,678
1933-34 ...	692,802	—	21,014	713,816	167,007
1934-35 ...	708,932	—	19,958	728,890	173,756(b)
1935-36 ...	749,806	—	20,934	770,740	182,711(b)
1936-37 ...	802,886(b)	—	24,795(b)	827,681	*191,812(b)

(a) The figures for years prior to 1928-29 have been adjusted to conform to certain changes made in that year in the form of the accounts.

(b) Estimated.

(c) Since a large portion of local authorities' expenditure is met out of Exchequer grants, already included in Column (2), the simplest approximate index to the actual burden of local expenditure is afforded by the figures of rates collected, which over a series of years represent very closely the expenditure falling on rates.

\* *viz.*, England and Wales £171,500,000, Scotland £20,312,000.



1937-38.

TABLE VIII.—Comparison of Estimated EXPENDITURE.

Service.	Budget Estimate, 1936-37.	Estimate, 1937-38.	+ Increase or - Decrease.
<b>Ordinary Expenditure.</b>			
<b>CONSOLIDATED FUND SERVICES.</b>			
	£	£	£
Interest and Management of National Debt ... ..	224,000,000	224,000,000	—
Payments to Northern Ireland Exchequer (including net share of reserved taxes) ...	7,500,000	8,000,000	+ 500,000
Other Consolidated Fund Services ... ..	3,200,000	3,200,000	—
Post Office Fund ... ..	600,000	300,000	- 300,000
<b>TOTAL</b> ... ..	<b>235,300,000</b>	<b>235,500,000</b>	<b>+ 200,000</b>
<b>SUPPLY SERVICES</b> (excluding Post Office and Broadcasting).			
Army Votes (including Ordnance Factories)	49,321,000	63,703,000	+ 14,382,000
Navy Votes ... ..	69,930,000	78,065,000	+ 8,135,000
Air Votes ... ..	39,000,000	56,500,000	+ 17,500,000
Margin for Supplementary Estimates ...	20,000,000	—	- 20,000,000
<b>Total Defence Services</b> ... ..	<b>178,251,000</b>	<b>198,268,000</b>	<b>+ 20,017,000</b>
Civil Votes (excluding Vote for Broadcasting) ... ..	365,254,000	405,184,000	+ 13,430,000
Margin for Supplementary Estimates ...	26,500,000*		+ 4,400,000
Customs and Excise and Inland Revenue Votes ... ..	5,600,000	10,000,000	+ 4,400,000
<b>TOTAL SUPPLY SERVICES</b> (excluding Post Office and Broadcasting) ...	<b>13,492,000</b>	<b>13,896,000</b>	<b>+ 404,000</b>
<b>TOTAL SUPPLY SERVICES</b> (excluding Post Office and Broadcasting) ...	<b>589,097,000</b>	<b>627,348,000</b>	<b>+ 38,251,000</b>
<b>Total Ordinary Expenditure</b> ... ..	<b>824,397,000</b>	<b>862,848,000</b>	<b>+ 38,451,000</b>
<b>Self-Balancing Expenditure.</b>			
Post Office (£72,328,000) and grant for Broadcasting under Class IV of Civil Estimates (£2,870,000) ... ..	69,344,000	75,198,000	+ 5,854,000
<b>Total</b> ... ..	<b>893,741,000</b>	<b>938,046,000</b>	<b>+ 44,305,000</b>

\* Motor Vehicle Duties apportioned to Road Fund treated as Self-Balancing in 1936-37, now added to Expenditure figures for purposes of comparison.



1937-38.

TABLE IX.—Comparison of Estimated RECEIPTS from Revenue in 1937-38 with corresponding Receipts in 1936-37.

On basis of EXISTING TAXATION.

	Receipts in 1936-37.	Estimate for 1937-38 on basis of existing Taxation.	+ Increase or - Decrease.
<b>Ordinary Revenue:</b>	£	£	£
<b>INLAND REVENUE.</b>			
Income Tax ... ..	257,237,000	275,000,000	+ 17,763,000
Sur-tax ... ..	53,540,000	58,000,000	+ 4,460,000
Estate Duties ... ..	87,990,000	89,000,000	+ 1,010,000
Stamps... ..	29,140,000	29,000,000	- 140,000
Other Inland Revenue Duties ... ..	1,730,000	1,500,000	- 230,000
	429,637,000	452,500,000	+ 22,863,000
<b>CUSTOMS AND EXCISE.</b>			
Customs... ..	211,282,000	219,850,000	+ 8,568,000
Excise ... ..	109,500,000	113,150,000	+ 3,650,000
	320,782,000	333,000,000	+ 12,218,000
MOTOR VEHICLE DUTIES ... ..	{ 5,300,000 27,427,000* }	34,000,000	+ 1,273,000
<b>TOTAL RECEIPTS FROM TAXES</b> ... ..	783,146,000	819,500,000	+ 36,354,000
Post Office (net Receipt) ... ..	10,970,000	11,800,000	+ 830,000
Post Office Fund ... ..	100,000	—	- 100,000
Crown Lands ... ..	1,350,000	1,350,000	—
Receipts from Sundry Loans ... ..	4,550,000	4,300,000	- 250,000
Miscellaneous ... ..	24,600,000	11,000,000	- 13,600,000
<b>Total Ordinary Revenue</b> ... ..	824,716,000	847,950,000	+ 23,234,000
<b>Self-Balancing Revenue:</b>			
Post Office: Revenue required to meet Post Office expenditure (£72,328,000) and grant for Broadcasting under Class IV of Civil Estimates (£2,870,000) ... ..	71,880,000	75,198,000	+ 3,318,000
<b>Total Revenue</b> ... ..	896,596,000	923,148,000	+ 26,552,000

\* Motor Vehicle Duties apportioned to Road Fund treated as Self-Balancing in 1936-37, now added to Revenue figures for purposes of comparison.



TABLE X.—CUSTOMS AND EXCISE REVENUE under the several heads of Duty.

Head of Duty.	1936-37.		1937-38 Estimated Receipts.
	Budget Estimate.	Receipts (approx.).	
	£	£	£
Spirits ... .. C	4,450,000	4,766,000	4,850,000
E	30,300,000	31,390,000	32,150,000
Total Spirits ... ..	34,750,000	36,156,000	37,000,000
Beer ... .. C	4,325,000	5,365,000	5,400,000
E	58,400,000	57,269,000	59,600,000
Total Beer ... ..	62,725,000	62,634,000	65,000,000
Wine ... .. C	4,800,000	5,168,000	5,300,000
British Wine ... .. E	470,000	454,000	500,000
Table Waters ... .. C	25,000	24,000	25,000
E	305,000	302,000	305,000
Total Table Waters ... ..	330,000	326,000	330,000
Tea ... .. C	7,649,000	7,819,000	7,400,000
E	1,000	1,000	—
Total Tea ... ..	7,650,000	7,820,000	7,400,000
Cocoa ... .. C	1,100,000	1,059,000	1,100,000
Coffee ... .. C	140,000	143,000	150,000
Chicory ... .. C	10,000	10,000	10,000
Sugar, Molasses, Glucose, Saccharin ... .. C	9,100,000	9,972,000	9,800,000
E	2,650,000	2,196,000	2,500,000
Total Sugar, &c. ... ..	11,750,000	12,168,000	12,300,000
Dried Fruits ... .. C	750,000	761,000	750,000
Tobacco ... .. C	78,149,000	77,368,000	79,749,000
E	1,000	1,000	1,000
Total Tobacco ... ..	78,150,000	77,369,000	79,750,000
Matches and Mechanical Lighters ... .. C	2,100,000	2,199,000	2,300,000
E	2,200,000	2,130,000	2,150,000
Total Matches and Mechanical Lighters	4,300,000	4,329,000	4,450,000
Silk and Artificial Silk ... .. C	3,700,000	3,766,000	3,800,000
E	2,400,000	2,116,000	2,200,000
Total Silk, &c....	6,100,000	5,882,000	6,000,000
Oil ... .. C	48,000,000	47,744,000	50,250,000



TABLE X (continued).—CUSTOMS AND EXCISE REVENUE under the several heads of Duty.

Head of Duty.	1936-37.		1937-38 Estimated Receipts.
	Budget Estimate.	Receipts (approx.).	
Entertainments ... .. E	£ 7,400,000	£ 7,589,000	£ 7,900,000
Liquor Licences:— Duties... .. E	4,250,000	4,274,000	4,260,000
Monopoly Values ... .. E	220,000	293,000	230,000
Other Licences ... .. E	530,000	528,000	520,000
Medicines, Playing Cards, Coffee Mixtures E	800,000	846,000	800,000
Cinematograph Films ... .. C	180,000	170,000	180,000
Clocks and Watches ... .. C	630,000	624,000	630,000
Motor Cars and Motor Cycles ... .. C	1,650,000	1,532,000	1,600,000
Musical Instruments... .. C	160,000	180,000	200,000
Total "McKenna Duties" ... ..	2,620,000	2,506,000	2,610,000
Hops ... .. C	130,000	115,000	120,000
Key Industry Duty ... .. C	750,000	890,000	1,000,000
Duties under the Import Duties Act, 1932 C	26,200,000	27,941,000	30,000,000
Ottawa Duties (excluding amounts due to changes in the duties on Wine, Coffee, and Dried Fruits) ... .. C	8,500,000	7,492,000	7,500,000
Beef and Veal ... .. C	—	537,000	3,000,000
Duties on Imports from Irish Free State† C	5,000,000	4,709,000	4,650,000
Other Articles and Deposits ... .. { C E	27,000 73,000	144,000 116,000	86,000 34,000
Total Other Articles, &c.... ..	100,000	260,000	120,000
Difference between Payments into Ex- chequer and Actual Receipts ... .. { C E	... ...	+ 784,000 - 5,000	... ...
Total Difference ... ..	...	+ 779,000	...
Total Revenue ... .. Customs ...	207,525,000	211,282,000	219,850,000
Excise ...	110,000,000	109,500,000	113,150,000
TOTAL ... ..	317,525,000	320,782,000	333,000,000

† Includes duties levied under the Irish Free State (Special Duties) Act, 1932, and the Import Duties Act, 1932, on imports from the Irish Free State.



## Table XI.—PROPOSED CHANGES IN TAXATION.

## A.—INLAND REVENUE.

## INCOME TAX.

It is proposed to increase the standard rate of income tax for the year 1937-38 by threepence to 5s. in the £.

It is proposed to amend the law so as to safeguard against the loss of income tax involved in certain transactions in securities.

It is proposed to amend the law relating to avoidance of sur-tax in the case of certain companies under the control of not more than five persons.

It is proposed to regulate the Income Tax allowance in respect of mills and factories.

It is proposed to amend the law relating to the personal allowance for Income Tax where a pension to which a husband is entitled is assigned to his wife.

## NATIONAL DEFENCE CONTRIBUTION.

It is proposed to charge upon trades and businesses\* making profits of more than £2,000 in accounting years ending after 5th April, 1937, a tax, to be called the National Defence Contribution, on the growth of profits measured by the relation of the actual profits of the accounting year to either the average actual profits of past years or the profits corresponding to a percentage on the capital employed. The tax will be graduated, at rates not exceeding one-third of the growth, by reference to the return on capital which the profits represent (see Table XII).



Table XI.—PROPOSED CHANGES IN TAXATION—*continued*.

## B.—CUSTOMS AND EXCISE.

	Existing Duties.		Proposed Duties.	
	Full Rates.	Preferential Rates.	Full Rates.	Preferential Rates.
<b>CUSTOMS:</b>				
Stockings and Socks wholly of silk, or where the silk component exceeds 20 per cent. of the aggregate value of all the components	43 $\frac{1}{3}$ per cent. <i>ad valorem</i> or 12s. the lb., whichever is the greater	36 $\frac{1}{2}$ per cent. <i>ad valorem</i> or 10s. the lb., whichever is the greater	No change	28 $\frac{2}{3}$ per cent. <i>ad valorem</i> or 8s. the lb., whichever is the greater
Reed Organs (including Harmoniums), complete ... ..	33 $\frac{1}{3}$ per cent. <i>ad valorem</i>	22 $\frac{2}{3}$ per cent. <i>ad valorem</i>	No change	Free
<b>EXCISE:</b>				
Male Servant licence duty ...		15s.		Nil.

It is proposed that the changes in Customs Duties should take effect from 21st April, 1937, and the change in the Excise Licence Duty from 1st January, 1938.

## C.—MOTOR VEHICLE DUTIES.

It is proposed that the unladen weight of a goods vehicle shall be taken, for taxation purposes, to include the weight of any receptacle placed in or on the vehicle for the carriage of goods or burden if any goods or burden are loaded into, carried in and unloaded from the receptacle without the receptacle being removed from the vehicle.

This proposal takes effect from 1st January, 1938.



TABLE XII.—National Defence Contribution.

## THE GRADUATION OF THE NATIONAL DEFENCE CONTRIBUTION.

The chargeable growth of profit will be determined by deducting from the current profit (less any abatement or deduction for losses) either the capital standard (for companies 6 per cent., and for individuals and firms 8 per cent. on the capital employed in the business) or the profits standard (the average profits of the three years 1933, 1934 and 1935).

Where the current profits are less than £12,000 there is to be allowed an abatement therefrom of one-fifth of the amount by which the profits fall short of £12,000. Where the four years before the first accounting period shewed a net loss the amount of the loss will be allowed as a deduction from the profits of the accounting period.

The graduation of the rate of charge is determined by reference to the percentage return on the capital employed in the business which the current profits (less any abatement or deduction for losses) represent, and the following table shews the rate of charge in the case of companies:—

*Companies.*

	<i>Rate of charge on chargeable growth.</i>
1. Where the current profit does not exceed 6 per cent., on capital ... ..	Nil.
2. Where the current profit exceeds 6 per cent. on capital, but does not exceed 10 per cent. on capital—	
Upon the growth ... ..	One-fifth.
3. Where the current profit exceeds 10 per cent. on capital, but does not exceed 15 per cent. on capital—	
(a) if the standard represents a percentage return of less than 10 per cent.—	
Upon the amount by which 10 per cent. exceeds the standard ... ..	One-fifth.
Upon the remainder of the growth ... ..	One-quarter.
(b) if the standard represents a percentage return on capital of over 10 per cent.—	
Upon the growth ... ..	One-quarter.



		<i>Rate of charge on chargeable growth.</i>
4.	Where the current profit exceeds 15 per cent. on capital—	
	(a) if the standard represents a return on capital of less than 10 per cent.—	
	Upon the amount by which 10 per cent. exceeds the standard ... ..	One-fifth.
	Upon that amount of the growth equivalent to 5 per cent. on capital ... ..	One-quarter.
	Upon the remainder of the growth ... ..	One-third.
	(b) if the standard represents a return on capital greater than 10 per cent., but less than 15 per cent.—	
	Upon the amount by which 15 per cent. exceeds the standard ... ..	One-quarter.
	Upon the remainder of the growth ... ..	One-third.
	(c) if the standard represents a return on capital of over 15 per cent.—	
	Upon the whole growth ... ..	One-third.

#### *Individuals and Firms.*

In the case of Individuals and Firms all the percentages in the above table are to be increased by two, to reflect the fact that individuals and firms are based upon 8 per cent. return on capital as against the 6 per cent. for companies. The points of graduation are therefore 8, 12 and 17 per cent.



*Examples.*

## COMPANIES.

The following examples illustrate for Companies how the charge is computed:—

A.—Case where Capital is large and taxpayer elects to be charged on capital standard.

					£
Capital ... ..	...	...	...	...	1,000,000
6 per cent. thereon...	...	...	...	...	60,000
10 per cent. thereon...	...	...	...	...	100,000
15 per cent. thereon...	...	...	...	...	150,000
Profits of accounting period	...	...	...	...	£160,000
Capital Standard at 6 per cent.	...	...	...	...	£60,000
					<hr/>
Chargeable growth of profit	...	...	...	...	£100,000

This growth of profit will be chargeable as follows:—

(1) 10 per cent. on Capital	...	...	£100,000	
less Standard	...	...	£60,000	
			<hr/>	£40,000 at
				one-fifth = £8,000
(2) 15 per cent. on capital	...	...	£150,000	
less 10 per cent. on capital	...	...	£100,000	
			<hr/>	£50,000 at
				one-quarter = £12,500
(3) Total profits	...	...	£160,000	
less 15 per cent. on capital	...	...	£150,000	
			<hr/>	£10,000 at
				one-third = £3,333
			<hr/>	
			£100,000	£23,833
			<hr/>	<hr/>

Contribution payable = £23,833.

B.—Case where capital is large and taxpayer elects to be charged on Profits Standard, illustrated for three different profits standards.

				£
For each case the Capital is	...	...	...	1,000,000
6 per cent. thereon	...	...	...	60,000
10 per cent. thereon	...	...	...	100,000
15 per cent. thereon	...	...	...	150,000



- (i) Profits Standard £80,000: Profits of accounting period £180,000—  
Chargeable growth of profits £100,000.

This growth of profit will be chargeable as follows:—

(1) 10 per cent. on capital	...	...	£100,000	
less standard	...	...	£80,000	
			<u>£20,000</u>	at
				one-fifth = £4,000
(2) 15 per cent. on capital	...	...	£150,000	
less 10 per cent. on capital	...	...	£100,000	
			<u>£50,000</u>	at
				one-quarter = £12,500
(3) Total Profits	...	...	£180,000	
less 15 per cent. on capital	...	...	£150,000	
			<u>£30,000</u>	at
				one-third = £10,000
			<u>£100,000</u>	<u>£26,500</u>

Contribution payable = £26,500.

- (ii) Profits standard £120,000 : Profits of accounting period £160,000—  
Chargeable growth of profits ... .. £40,000

This growth of profit will be chargeable as follows:—

(1) As the Profits standard is in excess of 10 per cent. on the capital, no part of the growth of profit will be charged at the rate of one-fifth.				
(2) 15 per cent. on capital	...	...	£150,000	
less standard	...	...	£120,000	
			<u>£30,000</u>	at
				one-quarter = £7,500
(3) Total profits	...	...	£160,000	
less 15 per cent. on capital	...	...	£150,000	
			<u>£10,000</u>	at
				one-third = £3,333
			<u>£40,000</u>	<u>£10,833</u>

Contribution payable = £10,833.

- (iii) Profits standard £240,000 : Profits of accounting period £360,000—  
Chargeable growth of profits ... .. £120,000

(1) As the profits standard is in excess of 15 per cent. on the capital, no part of the growth of profit is chargeable at the rates of one-fifth or one-quarter.

(2) The whole growth is chargeable at one-third—

£120,000 at one-third = £40,000.

Contribution payable = £40,000.



## C.—Cases illustrating the relief given by abatement to small concerns.

	£
In each case the Capital is	20,000
6 per cent. thereon	1,200
10 per cent. thereon	2,000
15 per cent. thereon	3,000

The taxpayer has elected to be charged on Profits Standard, which is assumed to be £1,400.

## Case I.—Where profits in accounting period are £3,000.

	£
Profits of accounting period	3,000
less abatement, one-fifth of (£12,000 less £3,000)	1,800
Adjusted profits	1,200
less standard	1,400
Chargeable growth	Nil

## Case II.—Where profits in accounting period are £5,000.

	£
Profits of accounting period	5,000
less abatement, one-fifth of (£12,000 less £5,000)	1,400
Adjusted profits	3,600
less standard	1,400
Chargeable growth	2,200

This growth of profit will be chargeable as follows:—

(1) 10 per cent. on capital	£2,000	
less standard	£1,400	
	£600 at	one-fifth = £120
(2) 15 per cent. on capital	£3,000	
less 10 per cent. on capital	£2,000	
	£1,000 at	one-quarter = £250
(3) Adjusted profits	£3,600	
less 15 per cent. on capital	£3,000	
	£600 at	one-third = £200
	<u>£2,200</u>	<u>£570</u>

Contribution payable = £570.



D.—Case illustrating deduction in respect of net aggregate loss for the four years preceding the first accounting period.

	£
Capital ... ..	1,000,000
6 per cent. thereon	60,000
10 per cent. thereon	100,000
15 per cent. thereon	150,000

The taxpayer has elected to be charged on the capital standard.

	£
Profits of accounting period ... ..	400,000
less set-off of loss of preceding four years	200,000
	<hr/>
Adjusted profit	200,000
less standard (capital standard)	60,000
	<hr/>
Chargeable growth ... ..	<u>140,000</u>

This growth of profit will be chargeable as follows:—

(1) 10 per cent. on capital	£100,000	
less standard	£60,000	
	<hr/>	£40,000 at
		one-fifth = £8,000
(2) 15 per cent. on capital	£150,000	
less 10 per cent. on capital	£100,000	
	<hr/>	£50,000 at
		one-quarter = £12,500
(3) Adjusted profits	£200,000	
less 15 per cent. on capital	£150,000	
	<hr/>	£50,000 at
		one-third = £16,666
		<hr/>
	<u>£140,000</u>	<u>£37,166</u>

Contribution payable = £37,166.



## INDIVIDUALS AND FIRMS.

In the case of Individuals and Firms the computation proceeds similarly but the points of graduation will be 8, 12 and 17 per cent. The following is an example of the computation of the charge for an individual or firm which would benefit from the abatement.

E.—Case illustrating the effect of the higher percentages on Capital Standard allowed for individuals and firms and the relief given by abatement to small concerns.

	£
Capital ... ..	20,000
8 per cent. thereon ... ..	1,600
12 per cent. thereon...	2,400
17 per cent. thereon...	3,400

The taxpayer has elected to be charged on the Profits Standard which in this case is £1,700.

	£
Profits of accounting period ... ..	5,000
less abatement one-fifth of (£12,000 less £5,000) ... ..	1,400
Adjusted profit ... ..	3,600
less Standard ... ..	1,700
Chargeable growth of profit ... ..	1,900

This growth of profit will be chargeable as follows:—

(1) 12 per cent. on capital ... ..	£2,400	
less Standard ... ..	£1,700	
	—————	£700 at
		one-fifth = £140
(2) 17 per cent. on capital ... ..	£3,400	
less 12 per cent. on capital ... ..	£2,400	
	—————	£1,000 at
		one-quarter = £250
(3) Adjusted profit ... ..	£3,600	
less 17 per cent. on capital ... ..	£3,400	
	—————	£200 at
		one-third = £66
		—————
	£1,900	£456
		—————

Contribution payable = £456.



TABLE XIII.—Estimated effect of the alterations proposed in the Budget.

	Estimate, 1937-38. Increase + or Decrease -.	Estimate in Full Year. Increase + or Decrease -.
	£	£
<b>INLAND REVENUE—</b>		
Income Tax (including Sur-tax) :		
Increase in standard rate ... ..	+ 13,000,000	+ 15,000,000
Provisions relating to certain trans- actions in securities ... ..	+ 150,000	+ 1,000,000
*Provisions relating to avoidance of Sur-tax ... ..	—	—
*Provisions regarding allowance for mills and factories and allowance in respect of pension ... ..	—	—
National Defence Contribution... ..	+ 2,000,000	+ 20,000,000
<b>TOTAL INLAND REVENUE ... ..</b>	<b>+ 15,150,000</b>	<b>+ 36,000,000</b>
<b>CUSTOMS—</b>		
Silk Stockings and Socks ... ..		Negligible
Reed Organs and Harmoniums ... ..		Ditto
<b>EXCISE—</b>		
Male Servants ... ..		Ditto†
<b>MOTOR VEHICLE DUTIES ... ..</b>		<b>Ditto</b>

\* The effect of these changes, which are directed to preserving the yield on the existing basis, has been taken into account in computing the yield on the existing basis.

† The loss to the Exchequer in respect of the duty collected in Scotland is estimated at £11,000 in 1937-38 and £11,700 in a full year. This loss has been taken into account in the estimate of Customs and Excise Revenue on existing basis. The corresponding duty in England and Wales is collected by the Post Office and paid over direct to the County and County Borough Councils. Account was taken of the proposal to abolish this duty by including a sum of £115,000 in the fixing of the block grant for England and Wales (H.C. 42 of 1937).



TABLE XIV.

## I.—ORDINARY REVENUE AND EXPENDITURE, 1937-38.

Estimated Revenue.		Estimated Expenditure.	
<i>Inland Revenue</i> —		£	
Income Tax ... ..	288,150,000	Interest and Management of National Debt ... ..	224,000,000
Sur-tax ... ..	58,000,000	Payments to Northern Ireland Exchequer (including net share of reserved taxes) ... ..	8,000,000
Estate Duties ... ..	89,000,000	Miscellaneous Consolidated Fund Services ... ..	3,200,000
Stamps ... ..	29,000,000	Post Office Fund ... ..	300,000
Other Inland Revenue Duties ... ..	1,500,000	<b>Total</b> ... ..	<b>235,500,000</b>
National Defence Contribution ... ..	2,000,000	<i>Supply Services</i> —	
<b>Total Inland Revenue</b> ... ..	<b>467,650,000</b>	<i>Defence</i> — { Army ... ..	55,133,000
		<i>Excluding</i> { Navy ... ..	68,196,000
		<i>Pensions</i> { Air Force ... ..	56,018,000
			179,347,000*
		<i>Pensions</i> { Army ... ..	8,570,000
		{ Navy ... ..	9,869,000
		{ Air Force ... ..	482,000
		<i>Civil</i> —	18,921,000
<i>Customs and Excise</i> —		I. Central Government and Finance	2,549,000
Customs ... ..	219,850,000	II. Foreign and Imperial...	8,989,000
Excise ... ..	113,150,000	III. Home Department, Law and Justice ... ..	23,940,000
<b>Total Customs and Excise</b> ... ..	<b>333,000,000</b>	IV. Education (excluding Broadcasting) ... ..	59,931,000
		V. Health, Labour, Insurance (including Old Age and Widows Pensions) ... ..	170,167,000
<i>Motor Vehicle Duties</i> ... ..	34,000,000	VI. Trade, Industry and Transport	31,383,000
<b>TOTAL RECEIPTS FROM TAXES</b> ... ..	<b>834,650,000</b>	VII. Works, Stationery, &c. ... ..	9,899,000
		VIII. War Pensions and Civil Pensions	43,934,000
		IX. Exchequer Contributions to Local Revenues ... ..	54,392,000
			405,184,000
		Margin for Civil Supplementary Estimates...	10,000,000
		<i>Tax Collection</i> —	
Post Office net receipt ... ..	11,800,000	Customs and Excise and Inland Revenue	
Crown Lands ... ..	1,350,000	Votes (including Pensions, £1,147,000) ... ..	13,896,000
Receipt from Sundry Loans due to British Government...	4,300,000		627,348,000
Miscellaneous ... ..	11,000,000	<b>TOTAL EXPENDITURE</b> ... ..	<b>862,848,000</b>
<b>TOTAL REVENUE</b> ... ..	<b>863,100,000</b>	Surplus... ..	252,000
			863,100,000

\* Exclusive of amounts, estimated at £80,000,000, to be met from borrowed moneys under the Defence Loans Act, 1937.



**II.—SELF-BALANCING REVENUE AND EXPENDITURE.**

	£
Post Office—Revenue required to meet Post Office expenditure (£72,328,000 including Pensions £5,366,000) and grant for Broadcasting under Class IV of the Civil Estimates (£2,870,000) ... ..	<u>75,198,000</u>

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