



cc: Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Sir Douglas Wass
 Mr. Ryrie
 Mr. Middleton
 Mr. Salveson
 Mr. Cropper
 Mr. A.H. Newton, MP
 Mr. de Waal - Parl. Counsel
 Mr. Lankester - 10 Downing Street

MR. BATTISHILL)
 MR. FREEDMAN - C&E) Copy to each

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ROAD FUEL DUTIES ETC.

This is to record a few points from this morning's meeting.

2. The Chancellor reported the Prime Minister's concern that some of the revenue lost through the concession on derv should be recouped through higher duties on wine and gambling. It was noted, however, that the duty on wine could only be increased if there were also a parallel increase in the duty on beer, since an increase in the duty on wine alone would expose the UK to a high risk of infraction proceedings before the European Court. The possibility remained open, however, that increases in all the alcohol duties might be incorporated into the Finance Bill at the Report Stage. This would require new Budget resolutions in advance - but not too long in advance - of Report Stage; if it seemed appropriate, the resolutions could be delayed until immediately before the Report Stage. It was agreed that Customs and Excise should prepare a note exploring the scope for further revenue from gambling; even an extra £5-10 million from this source could be helpful, particularly if what would otherwise be a sensible package of offsetting increases in the revenue duties fell somewhat short of the cost of the concession on derv.

3. If the offsetting duty increases were to be concentrated on tobacco, it was noted that there was very little difference in the total revenue whether or



not the increases were applied to pipe tobacco and cigars. The Minister of State (C) undertook to discuss this issue further with Customs. The point was made that it would be desirable to restrict the increase to 4p on 20 cigarettes, rather than 5p, since the impact effect on the RPI would thus be restricted to 0.2 per cent.

4. It was agreed that the Chancellor should indicate on 30 April that the concession on derv would take effect "when the Finance Bill becomes law". An amendment would then be made to the Bill at Report Stage fixing as the operative date the Monday after the expected date of Royal Assent. Customs would meanwhile give further consideration to the impact of a possible duty relief scheme and how the costs could be minimised.

5. It was agreed that the Whips should indicate to Government backbenchers on 29 April that the Government would be ready to accept an amendment reducing the tax increase on derv by 10p a gallon with effect from early August. They would make clear at the same time that the Government would be proposing in due course offsetting measures to recoup the revenue loss. Arrangements would then be made for Mr. Skeet to move the amendment in question at the beginning of the debate, which the Chancellor would then accept, speaking second.

6. The Chancellor asked for speaking notes to be provided for this purpose. These could conveniently be in the form of summary notes rather than continuous prose, but complete forms of words should be provided on issues where the statements required particularly precise definition. I should be grateful if you would arrange for the necessary notes to be provided, covering the industrial and energy conservation



aspects, as well as the "rural" and "political" aspects.

7. The Chancellor also asked Customs, in consultation with Parliamentary Counsel to prepare a note on possible alternative timings of Budget resolutions and the subsequent debates, depending on which duties were to be increased and whether the Bill was to be amended in Committee or on Report.

JW

(A.J. WIGGINS)

28 April 1981

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10 DOWNING STREET

From the Private Secretary

28 April 1981

I understand that the Chancellor of the Exchequer has decided that the Government should agree to an amendment to Clause 4 of the Finance Bill reducing the tax on Derv by 10p a gallon to come into effect as from Royal Assent in early August. He has also decided that the revenue loss will have to be recouped, though precisely how will be for further consideration.

I have spoken to the Prime Minister about this, and she is content for the Chief Whip to sound out those backbenchers who have said they would vote against the petrol duty increase on what the Chancellor has decided.

I am sending a copy of this letter to John Wiggins (HM Treasury)

I. P. LANKESTER

Murdo Maclean, Esq.,
Chief Whip's Office

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