

PRIME MINISTER

Meeting with the Chancellor
Tuesday 2 June at 1720 hours

There are three issues you need to discuss:

i) Tax measures to offset the £85m lost by the decision on Derv (Flag A). The Chancellor wants to raise £20m from betting and gaming, and £55m from tobacco (another 3p on a packet of cigarettes). Your view has been that we should raise something extra from wine. I have mentioned this to the Treasury, who say that the Chancellor will argue very strongly against trying to go down this route: he thinks that, without increasing the tax further on beer, a tax increase on wine will simply be thrown out by the European Court, and that on the basis of a Court decision traders will be able to recoup the revenue. It also seems doubtful whether it would be worth having a row with the Community over such a relatively small issue (we would only be getting in another £10m or so at the most).

ii) Taxation of widows and single women, aged 60 - 64. You have disagreed with the Chancellor's advice on how he should respond to Jeff Rooker (Flag B). The issue here really comes down to whether the age allowance should be introduced at 60 for women generally or widows and single women. But this would presumably be very expensive.

iii) Progress on monetary control improvements. At Flag C are some notes by Alan Walters following a discussion last Friday, and also a draft letter which you might send to the Chancellor. I see little point in going into this in detail with the Chancellor, but you could mention your concern that the timetable seems to be slipping. I can then 'top and tail' Alan's draft letter for you to sign, and we can suggest a stocktaking seminar just before the summer recess.

P. C. C.
Duty Clerk
pp. T. P. Lancaster.
1 June 1981