

NOTE FOR THE RECORD

Just before the Prime Minister left for the United States last Wednesday, the Chancellor called on her and reported that he had changed his view on the income tax decision. He had come to the conclusion, having consulted his Ministerial colleagues in the Treasury, that it would be right to go for a somewhat more restrictive Budget than he had contemplated; and in particular, that he should plan on a PSBR of less than £11 billion on 1981/82. He had been influenced partly by the greater risks to public expenditure and PSBR resulting from the concessions to the coal-miners. In order to achieve this objective, he had decided that the right course would be to forgo any uprating of personal allowances. This, compared with his earlier intention to uprate by 7½ per cent, would raise nearly £1 billion; and he believed it would be politically more tolerable than a 1p increase in the basic rate.

He had also decided not to increase the thresholds on the capital taxes: to do otherwise, when income tax thresholds were being held, would be inequitable.

The Prime Minister said she was content.

2 March 1981