



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

Following our discussion on Wednesday of last week, I have been examining with Inland Revenue and Customs and Excise the possibility of improving the flow of revenue.

Inland Revenue

Inland Revenue have so far banked 75 per cent of forecast receipts. They have some evidence to show that the shortfall of 25 per cent is mainly accounted for by taxpayers withholding payment rather than the non-processing of remittances.

Except to a very limited extent they do not think that they can do much more within the resources of the Department to improve revenue flow. As regards lower denomination cheques, they estimate that those remaining unprocessed are unlikely to exceed £200m in value and could be as little as £100m.

Customs and Excise

The net VAT revenue for April will be at least 90 per cent of the pre-strike forecast. This is, of course, affected by the fact that C&E are unable to make VAT repayments. The collection of Customs' other duties (which account for 2/5 of the total indirect taxes) has been largely unaffected by the strike.

This still leaves 300,000 to 400,000 cheques trapped in the system at Southend but these are the relatively small denomination cheques. The very large VAT payers have been contacted and asked to pay either by giro or to a special

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address at which the cheques will be processed by management staff. The next tranche of payers are paying in specially coded envelopes which Customs management are processing each day.

At my request Customs and Inland Revenue have considered whether they could mount further operations to remove smaller denomination cheques, but they recommend against doing so. Removal would be a major step which could not be kept secret. It would lead to a sharp intensification of the unions' efforts at obstruction, and so could prejudice the existing operation in relation to the large cheques. Their advice therefore is that it would not be cost-effective to attempt it.

Both Departments have also considered the idea of national advertising to advise all taxpayers to use the Giro system but have so far rejected it on the advice of the Bank and the Clearing Banks who believe there is a strong risk that their own staff might black the work. If this were to happen we would risk prejudicing the whole of our banking operation.

In all these operations we are relying to some degree on the co-operation of managers. When it comes to considering the possibilities for escalating the dispute we will have to bear in mind our need for the continued co-operation of managers both in maintaining these operations during the strike and, once the dispute is over, in dealing with the enormous problem of processing the huge quantity of documentation held up by the dispute at the same time as dealing with fresh transactions being received each day.

I am sending a copy of this minute to the Lord President.

G.H.
for (G.H.)

(Approved by the Chancellor
signed in his absence)

7 May 1981