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Treasury Chambers, Parliament Street, SW1P 3AG  
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27 February 1981

T. Lankester, Esq.,  
 Private Secretary,  
 10, Downing Street

Dear Tim,  
 THE BUDGET

You asked for a brief statement of the Budget decisions which the Prime Minister could have on her return from the USA at the weekend.

I attach a list of the main tax changes. As you can see, the overall increase in 1981-82 revenue, compared with present tax rates and allowances, is about £3.6 billion. This is net of the cost of the stock relief scheme for industry - worth about £180 million in 1981-82 and much more in the following year. (Measured against a base assuming revalorisation of direct or indirect tax rates and allowances, the net revenue increase is some £4.3 billion.)

Aside from the stock relief scheme the other item in aid of industry that carries a major 1981-82 PSBR cost is a scheme for relief of gas and electricity prices charged to certain industrial users. To make this possible, the Chancellor is agreeing with the Energy Secretary increases of about £115m in the 1981-82 EFLs of the nationalised industries concerned.

The economic forecast is still shaking down (including how far and in what way to take account of the costs of shelving the pit closures plan) but the published 1981-82 PSBR figure should be around £10½m, taking account of the Budget package. I am sure the Chancellor will also want to discuss with the Prime Minister next week his approach to presentation of the Budget and related issues. I hope this letter and the table attached will be a useful aide-memoire for the Prime Minister meanwhile.

yours  
 John

A.J. WIGGINS

## BUDGET SECRET

1981 BUDGET TAX MEASURES

Estimated  
1981-82  
revenue effects  
£billion

(i) income tax

no change in rates or personal allowances 0

(ii) indirect taxes

about double revalorisation overall of the  
specific duties + 2.4  
with 2% impact effect on RPI.

illustrative price changes:

vehicle excise duty	£10
beer	4p/pint
tobacco	14p/packet of 20
petrol and derv	20p/gallon
spirits	60p/bottle
wine	12p/bottle
fortified wine	25p/bottle

(iii) special tax on bank deposits

2½% on non-interest bearing balances over £10m + .4

(iv) supplementary petroleum duty (North Sea,  
as outlined in November)

20% rate + .93

(v) PRT relief changes (as foreshadowed in  
November)

+ .1

- (vi) enterprise
- (a) CTT: minor changes (-.004, i.e. *very small*)  
 (no general increase in thresholds)
- (i) 10 year cumulation instead of  
 of lifetime cumulation
- (ii) more generous rates and scales  
 for lifetime transfers
- (iii) annual exemption from £2,000 to  
 £3,000
- (b) CGT changes in settlement rules,  
 offset by anti-avoidance measures. negligible  
 -.02
- (c) including Business Start-Up Scheme,
- (d) CT small companies' rate limits,
- (e) plus range of other measures, not  
 all with a revenue cost.
- (vii) stock relief for corporation tax -.18
- (ix) construction
- Development Land Tax minor changes negligible
- Capital allowances for industrial negligible  
 building - raised from 50 to 75% in 1981-82
- (x) benefits in kind
- various measures as explained in recent  
 minutes from the Chancellor (e.g. 3 and  
 23 February) negligible
- (xi) disabled and charities negligible
- e.g. double income tax allowances for the  
 blind (*this relates to the special blind allowance, not the main personal allowances*)  
 VAT concessions for charities and equipment  
 for the disabled; tax exemption for private  
 health insurance provided to employees  
 earning less than £8,500 a year; some minor  
 public expenditure on restoration of previous  
 5% deduction from Invalidity Allowance.