

CONFIDENTIAL

see 27.7.79



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- Mr Dixon
- Mr Butt
- Mr Ridley
- PS/Governor

THE COMPANY SECTOR IN 1980

Adam Ridley's note of 26 July does indeed merit the further study which Martin Hall's note of 27 July records you as recommending, although (subject to what such a study suggests) I would not expect a corporate liquidity crisis of 1974 proportions, and would certainly not favour any weakening of our monetary stance - nor (partly but not solely for this reason) any attempt to engineer an exchange rate depreciation. But Lord Cockfield's review of corporate taxation should clearly bear this very important dimension in mind: in this context it is worth noting that, contrary to popular superstition, taxes falling on corporations appear to represent a higher proportion of total taxation today than they were in 1974. (Some recent work which I commissioned shows that the proportion of total taxation paid by corporations in 1979-80 is forecast at 32% as against 28% in 1973-74.)

PL

pp NIGEL LAWSON
30 July 1979

(written by the Financial Secretary and signed in his absence).