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Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

PM acct.
~~PM~~

In the light of the minutes about the Budget and the forecasts which I sent you at the weekend you asked, I believe, whether any part of the PRT which is expected to be paid in 1980-81 can be brought forward into the current financial year.

2. The short answer is that it could be done; by shortening the interval between the end of the period for which the PRT is chargeable and the date when it falls due for payment from 4 months to (say) 12 weeks - which would be about the absolute minimum that seems feasible - a further £m650 would be brought into 1979-80.
3. But shortening this "payment period" might well be seen as such a transparent device for altering cash flow in the Government's favour, that - coming on top of the necessarily large element in the Budget for asset-disposals - it might actually reduce, not strengthen, market confidence in the total Budget package.
4. Moreover, though this might be regarded as a secondary argument, the change would be sure to provoke a hostile reaction from the companies, bearing in mind the proposed stiffening of the PRT regime as a whole. There also would be significant administrative difficulties for the Revenue and for the companies.
5. Fortunately, as you know, I now consider it possible to achieve my tax and financial objectives for 1979-80 within the budgetary package I described to you. In all the circumstances,

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therefore, I think it best not to make this PRT change now, but to leave it for consideration for 1980-81, when the financial position may be very tight if we are to achieve further reductions in income tax. I have asked the Inland Revenue to consider the scope for accelerating payment against this time-table.

G.H.

(G.H.)

7 June, 1979