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MR BYATT

cc PS/Minister of State (C)
PS/Minister of State (L)
PCC

~~MEG~~
Miss Brown
Mr Todd
Mr Kalen
Mr Hood
Mr Cardona
Mr Ridley

Sir L Airey }
Mr Green } Inland Revenue
Mr Gracey }

Sir D Lovelock }
Mr Phelps } Customs and Excise
Mr Howard }

PERSONAL TAXATION AND INCENTIVES

Handwritten: The Financial Secretary is most grateful for your minute of 6 August.

The Financial Secretary agrees that he should have a meeting, as you suggest in paragraph 4, after the recess and suggests that the Inland Revenue and Customs and Excise should also be invited.

that
Meanwhile, the Financial Secretary suggests/the following tentative conclusions seem to emerge:

i. Because of the priority given to containing the PSBR, the Government have (except for the really rich) increased the burden of taxation so far. This is especially true so far as marginal rates of tax are concerned.

ii. The thesis that reduction in marginal rates will increase incentive has thus not been put to the test yet.

12/2/18

iii. The overriding need is to reduce marginal rates of tax. This means reducing the basic rate of tax rather than increasing the personal allowances.

The Financial Secretary's own instinctive approach seems to be much closer to that of the Inland Revenue and Customs and Excise. In this context, he would appreciate a breakdown of table 4 of Mr Todd's paper into direct and indirect taxes.

Roy Westwater

R G WESTWATER

29 August 1980