



CHANCELLOR OF THE EXCHEQUER

cc Financial Secretary
Minister of State (C)
Minister of State (L)
Mr Ridley
Mr Cropper
Mr Cardona

1981 BUDGET

- (1) I would prefer a PSBR for 1981-82 of £9,000 million which would imply a percentage of nominal GDP of 3.6%. This compares with an Industry Act figure of 4.2%, and a MTFS illustrative figure of 3%.
- (2) This would necessitate a net increase in revenue of £1.500 million, but I would prefer to see predominantly personal taxation bearing £2,000 million extra and a reduction in corporate taxation of £500 million.
- (3) Rises in mainly personal taxes could be on account of:
 - (i) Uniform de-indexation of allowances up to one quarter (£1,300 million).
 - (ii) Child Benefit indexed up to one quarter only (£60 million).
 - (iii) Increases in excise duties and VED beyond full valorisation by one-third (£400 million or less).
 - (iv) VAT blocking for petrol (£250 million).
- (4) I would like to see corporate taxation reduced by
 - (i) Some reduction of fuel oil tax.
 - (ii) Selective and modest adjustments to corporate sector fuel costs at the expense of N.I. balance sheets.
 - (iii) Tax concessions designed to take further 1980 Finance Act policy of aiding entrepreneurs, small businesses etc.
 - (iv) Possible remission of N.I. surcharge for younger employees.

The above analysis is an extremely tentative essay at "budget making". It has avoided, but not rejected, the possibility of a 1p increase in the basic rate of income tax (which would provide a degree of manoeuvre) and has not proposed any tax on banks.

T. Matthews

for JOHN BIFFEN

[Dictated by the Chief Secretary
and signed in his absence]