

cc PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Minister of State (C)  
 PS/Minister of State (L)  
 Sir Douglas Wass  
 Mr Ryrie  
 Mr Burns  
 Mr Middleton  
 Mr Unwin  
 Mr Dixon  
 Mr Battishill  
 Mr Corlett  
 Mr Griffiths  
 Mr Todd  
 Mr Ward (GEA)  
 Mr Folger  
 Mr Wren-Lewis  
 Mr Ridley  
 Mr Cropper

- bwj*  
*for AHB*  
*25/2/81*
- 1 MR BATTISHILL
- 2 PRINCIPAL PRIVATE SECRETARY —

Sir L Airey  
 Sir D Lovelock

## BUDGET SUMMARY

I attach an updated version of the Budget packages, numbered 1 to 9. Various figures have been changed from the packages I circulated on 20 February; and those items which were then marked "decided against" have been deleted.

2. I also attach two new lists of the other - generally minor - Budget measures:

- (i) items which it has been decided to include (Annex A);
- (ii) items still under consideration or contingent on outside events (Annex B).

3. Items which Ministers have decided to exclude from this Budget are not listed.

*I'm giving home readers  
 no more outstanding  
 in main schedule.*

*We now need to  
 organise finances*

*C. R. Pickering*

C R PICKERING  
 25 February 1981



## INDIRECT TAX PACKAGE

Major Excise Duties

	Approx Price Effects	Duty Change %	Revenue Effect	
			1981-82 £m	Full Year £m
Beer	4p/pint	37.9	370	385
Spirits	60p/bottle	14.5	60* <sup>1</sup>	60* <sup>1</sup>
Table Wine	12p/bottle	16.9	30	30
Fortified Wine	25p/bottle	30.8	42	42
Cider and Perry	7p/pint	19.0	3	3
Tobacco	14p/pkt 20	[29.7]* <sup>2</sup>	510	510
Petrol	20p/gallon	38.3	905	905
Derv	20p/gallon	38.3	265	265
VED	£10	15.0	225	225
			<u>2407*</u>	<u>2422*<sup>3</sup></u>

## NOTES:

- \* 1 Reflects the average of alternative views about the price elasticity of demand.
- \* 2 Total taxation on cigarettes since 1980 Budget
- \* 3 The effect of these indirect tax measures would be to reduce the PSBR in 1981-82 by £1 billion compared with the forecast (or £2 billion compared with unchanged duties).

REVENUE-RAISING PACKAGE

	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
i Bank levy (2½%)	+ 400	not applicable	- 390	
ii Supplementary Petroleum Duty	+ 960	+ 245	) -1040	YES
iii Reduction in PRT relief	+ 80	+ 40		
iv Matches and mechanical lighters duty: increase duty rates and amend definition of dutiable items.	+ 15	+ 15	- 15	YES
v Taxation of unemployment benefit	0	+ 400	0	YES
vi Extend car tax to motor-cycles	+10 to 15	+10 to 15	- 10 to - 15	YES

- a. relief for let land at 20%
- b. remove double-discounting
- c. payment by interest-free instalments
- d. merger of business and agricultural reliefs

vii Heritage: assistance funds - neg

viii International: modify deemed domicile rules for emigrants - neg

ix..

\*. all ? in "Decided" column denote MSP(L)'s proposals

YES  
YES  
YES  
NO  
Possibly for  
Doubtful  
Still open

4	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
<b>CAPITAL TAXES PACKAGE <sup>a</sup></b>				
<b>1. Capital Transfer Tax:</b>				
i	increase in thresholds	{		?NO ✓
ii	Extend lifetime rate scale and lower top rate to 50%	{ ?		?YES
iii	Indexation of thresholds	nil	? <sup>1</sup>	MST(L) ✓ ?NO ✓
iv	Increase annual exemption to £3,000	neg	-1	Substantially ?YES
v	10 year cumulation	nil	nil	?YES
vi	Agriculture:			
	a. relief for let land at 20%			? YES
	b. remove double-discounting			?YES
	c. payment by interest-free instalments			?YES
	d. merger of business and agricultural reliefs			?NO
vii	Heritage: maintenance funds	- neg	- neg	? Possibly for Committee
viii	International: modify deemed domicile rules for emigrants	- neg	- small	? Still open
ix/..				Still open
a.	all ? in "Decided" column denote MST(L)'s proposals			Still open

	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
ix Settled property:				
a. extend transitional period for one year.	- neg	0 <sup>2</sup>		? YES
b. quick succession relief	- 1	- 3	? ✓	"
c. extension of annual and marriage gifts extension	- small	- small		"
d. trusts for disabled	neg	neg		"
e. anti-avoidance provisions on reversions	?	?		"
f. extension of business relief for life tenants.	?	?		"
x Related property; remove in relation to pre-74 discretionary trusts	- neg	- neg		
xi Free loans - repeal	- neg	- neg		? YES
2. <u>Capital Gains Tax</u>				
i Removal of double charge on settled property.	0	-65	? ✓	? YES
ii Avoidance	0	+50		YES
iii Extend venture capital scheme to:				
a. companies (see Enterprise package)			? ✓	YES
b. trustees?				Still open
iv Increase in chattels exemption to £3,000	neg	- 2	?	Still open
3. <u>D.L.T.</u>				
See construction package				

Footnotes

1. Depends on RPI movements

2. But has costs in 1982-83 and 1983-84

ii Loan Guarantee Scheme

iii Extend loss relief scheme to let in investment companies

iv Corporation tax small companies, rate: increase in limits.

v VAT

a. increase reg and de-reg. limits and improve procedures.

b. VAT input tax deductible for newly-incorporated bodies.

vi Relief for interest on borrowings to invest in:

a. industrial co-operatives

b. partnerships

vii Capital taxes - see separate package

viii DLE - see construction package

ix Enterprise Campaign

Totals:

	REVENUE EFFECT		FGR EFFECT - 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
1. Depends on RPI movements				YES (see details to agreed)
2. But has costs in 1982-83 and 1983-84	0	-50		Probably 30
ii Loan Guarantee Scheme	0	0		Yes
iii Extend loss relief scheme to let in investment companies	0	-10		Yes
iv Corporation tax small companies, rate: increase in limits.	-12	-24		Yes
v VAT				
a. increase reg and de-reg. limits and improve procedures.	-5	-10		YES
b. VAT input tax deductible for newly-incorporated bodies.	0	0		Yes
vi Relief for interest on borrowings to invest in:				
a. industrial co-operatives	neg	neg		Yes
b. partnerships	neg	neg		Yes
vii Capital taxes - see separate package				
viii DLE - see construction package				
ix Enterprise Campaign	-small	-small		YES
Totals:	-22	-100	-70	

5	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
<b>ENTERPRISE PACKAGE</b>				
i	Business Start-ups Scheme	0	-50	YES (some details to be agreed)
ii	Loan Guarantee Scheme	0	0	Probably yes
iii	Extend loss relief scheme to let in investment companies	0	-10	Yes
iv	Corporation tax small companies' rate: increase in limits.	-12	-21	Yes
v	VAT			
	a. increase reg and de-reg. limits and improve procedures.	- 5	-10	YES
	b. VAT input tax deductible for newly-incorporated bodies.	0	0	Yes
vi	Relief for interest on borrowings to invest in:			
	a. industrial co-operatives	neg	neg	Yes
	b. partnerships	neg	neg	Yes
vii	Capital taxes - see separate package			
viii	DLT - see construction package			
ix	Enterprise Campaign	-small	-small	YES
	Totals:	-22	-100	+20



6	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?	
	1981-82	Full Year			
INDUSTRIAL PACKAGE					
i	Stock Relief (without credit restriction)	- 225	-700	0	YES
ii	Industrial Building Allowance (see Construction package)				YES
iii	Energy (i) prices <sup>1</sup> (ii) boiler conversion	-110 / 7200?7 -15 ↑	- 130 / 240?7 - 20	0 ** 0	[YES Still open] <sup>2</sup>
**	to come out of the Contingency Reserve; not additional to the Budget arithmetic				
1.	depends on agreement with Secretary of State for Energy.				
2.	Chancellor has refused but Mr Howell still pressing.				

c also?

7	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
<b>CONSTRUCTION PACKAGE</b>				
i Development Land tax				
(a) 4 year suspension, or				
(b) Inland Revenue modifications				
	< - 10	< - 30		Decided against Still open
ii Increase industrial buildings allowance from 50% to 75%				
	neg	-100		Yes
* Could be included in the 'caring' package				
1. precise level and form of supplement yet to be decided.				
2. subject to No 10				
Totals:				
	neg	-55		

*Yes?*

REVENUE EFFECT

PSBR  
EFFECT  
1981-82  
Compared  
with  
Forecast

DECIDED?

1981-82

Full Year

BENEFITS IN KIND PACKAGE

i Increase car scales and scale break-points from April 1982 by 20%

ii Free petrol *in mobility allowance*

iii Deduction of tax at source (cars)

iv Insubstantial business use of cars - raise limit to 2,500 miles

v Vouchers - season tickets<sup>2</sup> and credit cards

vi Medical insurance benefits exemption for those earning less than threshold\*

\* Could be included in the 'caring' package

1. precise level and form of supplement yet to be decided.

2. subject to No 10

viii Medical insurance  
see benefits in kind package.

Note: expenditure measures outside Budget  
arrangements, place charged to  
Contingency Reserve.

Totals:

neg

+55

-

-

YES  
Yes in principle  
(subject to  
No 10) 1  
YES  
YES  
YES  
YES

DECIDED AGAINST  
DECIDED AGAINST  
DECIDED AGAINST  
YES

9

	REVENUE EFFECT		PSBR EFFECT 1981-82 Compared with Forecast	DECIDED?
	1981-82	Full Year		
CARING PACKAGE				
i Income tax blind allowance double to £360.	-1	-1		YES
ii Real increase in mobility allowance	-	-	-	YES
iii VAT and Charities: Lovelock package	-1	-1		YES
iv Better publicity for charity concessions.	-	-	-	
v Unemployment benefit - relax rules to encourage voluntary work.	-	-	-	YES
vi Invalidation benefit:				
a. Invalidation pension at long-term Sup Ben rate.	-	-	-	DECIDED AGAINST
b. Restore 5% cut i from Nov 1981 ii from April 1982	-	-	-	DECIDED AGAINST
c. Into tax from April 1982				DECIDED AGAINST
vii Invalidation allowance - restore 5% from Nov 1981	-	-	-	YES
viii Medical insurance see benefits in kind package.				
Note: expenditure measures outside Budget arithmetic, since charged to Contingency Reserve.				
Totals:	-2	-2	+2	

Already Decided

ANNEX A

No. in 3 February Budget Starters list.	Item
28	Stamp duty - special provision for...
29	Sales of council houses - Stamp duty
1	Anti-dumping duties: repeal of requirement to report to Parliament
2	Wine, spirit & distillery warehouses: implementations of review of controls
3	Car tax: tax point at import
4	Rebated oils' claims etc
5	Customs export strategy
6	Customs free circulations directive
8	VAT: valuation provisions
9	VAT: Canteen meals
10	Car tax: penalty provisions
11	Car tax: export relief
13	Betting & gaming duties pre-consolidation
14	Pool betting duty exemption limits
15	Ships stores: duty free goods
70	Corbett consequentials: discretionary powers
30	Interest
37	Rules for switching for relief for interest charged to capital (over-paid Chancery Lane decision)
38	Revision of 30% Taxes Act 1970

Already Decided

No. in 3 February Budget Starters list.	Item
20	Stamp duty - pooled pension funds
21	Sales of council houses - stamp duty
22	Balancing charges on buildings
23	PAYE - agencies
24	Taxing sick pay paid through trusts etc
26	Reform of S478
28	Retirement annuity relief for job changers
30	National Heritage Fund: relief to companies
31	Termination payments
32	Northern Ireland Assembly Pension Fund
33	Amendments to the Exchange Control Act 1947 (as amended by the FAs 1968 and 1977) and S2 of the Banking and Financial Dealings Act 1971 to strengthen inflow controls
34	Amendments to Irish Land Acts
35	CGT and CT consequentials of nationalised industries re-organisation and privatisation
36	Interest Rules for switching for relief for interest against total income to relief as a business expense
37 a.	Amend S248 to allow deduction of interest charged to capital (over-rule Chancery Lane decision)
38	Revision of S451 Taxes Act 1970

No. in 3 February Budget Starters list	Item
68	
New since 3 February	
70	Extension of life assurance relief for certain payments to trade unions to include payments to police associations
71	VED: three-wheeled vehicles
91	British Steel Corporation: write-off of debt: reduction of tax losses
90	Indexed Gilt Edged Stocks
86	Stamp duty - shared ownership
84	Foreign Savings Relief - Stamp duty
85	National Savings certificates and other securities including (possibly) New Savings Bonds
(Revised)	
84	Revenue to estimate the expenditure on...

No. in 3 February Budget Starters list	Item
89	VAT: stocks and assets at bankruptcy
51	Taxation of supplementary benefits to strikers
65	Consortium relief
79	Capital allowances: lease purchase
85	Holiday pay in the construction industry
86	Stamp duty - shared ownership
88	Foreign Earnings Relief - Crown Servants
96 (Revised)	National Savings certificates and other securities including (possibly) BNO Revenue Bonds
64	Measures to stimulate the corporate bond market