

- 1. MR UNWIN
- 2. PRINCIPAL PRIVATE SECRETARY

Navy
Aspl

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3/2

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Minister of State (C)
- PS/Minister of State (L)
- Mr Battishill Mr Middleton
- Mr Bridgeman
- Mr Burgner
- Mr Monck
- Mrs Stamler
- Mr Pickering
- Mr Bush
- Mr Ridley
- PS/Customs
- PS/Inland Revenue

COPY FOR

BUDGET: LETTER TO NO 10

I attach as requested a brief draft letter to No 10 to serve as an aide-memoire for the Prime Minister on her return from the USA.

2. It would be helpful if the Chancellor could clear this for transmission tonight. The square bracketted sections reflect meanwhile my uncertainty about how he proposes to play things with the Prime Minister next week.

3. The table of tax measures was prepared with the help of Mr Pickering of FP1.

I agree subject to minor amendments.

[Handwritten signature]

M T POLGER

27 February 1981

[Handwritten signature]

27/2

DRAFT LETTER FOR PRIVATE SECRETARY'S SIGNATURE

TO: T Lankester Esq
10 Downing Street
LONDON SW1

27 February 1981

THE BUDGET

1. You asked me for a brief statement of the Budget decisions which the Prime Minister could have on her return from the USA at the weekend.

2. I attach a list of the main tax changes. As you can see, the overall increase in 1981-82 revenue, compared with present tax rates and allowances, is about £3.6 billion. This is net of the cost of the stock relief scheme for industry - worth about £200 million in 1981-82 and much more in the following year.

(On the alternative basis of measurement - ie a base ^{use it a indirect} assuming revalorisation of ^{some} tax rates and allowances - the net revenue increase is £4.3 billion.)

3. Aside from the stock relief scheme the other item in aid of industry that carries a major 1981-82 PSBR cost is a scheme for relief of gas and electricity prices charged to certain industrial users. To make this possible, the Chancellor is agreeing with the Energy Secretary increases of about £115m in the 1981-82 EFLs of the nationalised industries concerned.

4. Apart from this £115m cash for energy prices, there will be a £200m cash increase in 1981-82 public spending totals to provide for some of the costs of shelving the pit closures plan. (Anything in excess of £200m for that would have to be met at the expense of other spending.)

The Chancellor
is still
considering
how best
to present
this.

5. The economic forecast is still shaking down but the published 1981-82 PSBR figure should be around £10½m, taking account of the Budget package. [The Chancellor will be able to discuss with the Prime Minister next week the scope that this allows for Budget action on interest rates.]

6. [I am sure the Chancellor will also ^{want to} ~~be discussing~~ with the Prime Minister ^{next week} /his approach to Budget presentation. I hope this letter and the table attached will be a useful aide-memoire for the Prime Minister meanwhile.]

A J WIGGINS

BUDGET SECRET

1981 BUDGET TAX MEASURES

Estimated
1981-82
revenue effects
£billion

(i) income tax

no change in rates or personal allowances

0

(ii) indirect taxes

about double revalorisation,

+ 2.4

with 2% impact effect on RPI.

illustrative price changes:

vehicle excise duty	£10
beer	4p/pint
tobacco	14p/packet of 20
petrol and derv	20p/gallon
spirits	60p/bottle
wine	12p/bottle
fortified wine	25p/bottle

(iii) special tax on bank deposits

2½% on non-interest bearing balances over £10m

+ .4

(iv) supplementary petroleum duty (North Sea,
as outlined in November)

20% rate

+ .93

(v) PRT relief changes (as foreshadowed in
November)

+ .1

- (vi) capital taxes
- a) CYT: minor changes (no general increase in thresholds) (-.004 ie very small)
- b) CYT: changes in settlement rules, offset by anti-avoidance measures. negligible
- (vii) enterprise -.02
including Business Start-Up Scheme,
OT small companies' rate limits,
plus range of other measures, not all
with a revenue cost.
- (viii) stock relief for corporation tax -.18
- (ix) construction
- Development Land Tax minor changes negligible
- Capital allowances for industrial building - raised from 50 to 75% {negligible
in 1982-82
- (x) benefits in kind
- various measures as explained in recent minutes from the Chancellor (eg 3 and 23 February) negligible
- (xi) disabled and charities negligible
- eg double income tax allowances for the blind.
- VAT concessions for charities and equipment for the disabled; tax exemption for private health insurance provided to employees earning less than £8,500 a year; some minor public expenditure on restoration of previous 5% deduction from Invalidity Allowance.