



10 DOWNING STREET

THE PRIME MINISTER

13th June, 1984

*Dear Mr. Kriese,*

Thank you for your letter of 11th June. A scare story about VAT on food is a diversionary tactic regularly produced by the Labour Party before an election. Given their failure to produce a consistent policy on Europe, they need such a tactic more than ever this time.

It is no secret, as the Chancellor confirmed in his Budget speech this year, that we believe that in the long run the indirect tax base should be further extended so that income tax can be further reduced - indeed income tax thresholds have already been increased by 16 per cent in real terms after falling under Labour. I have also made clear in the House several times - as I did yesterday afternoon - that we have no intention of putting VAT on food.

You may not know but last year a socialist in the European Parliament introduced a report on harmonisation of VAT which would have meant imposing VAT on all foodstuffs. During the passage of this report through committee in June 1983, Conservative MEPs successfully moved an amendment supporting the retention of zero-rating. Labour MEPs did not vote for this amendment.

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cc G. Webb 12

Your allegation about a report by the Conservative MEP, William Hopper, calling for the harmonisation of VAT, and therefore for VAT on food, is untrue. This report was on the subject of excise duties and had nothing to do with VAT - and I understand that Robin Cook speaking on behalf of the Labour Party admitted this yesterday.

Finally, you talk about an increase in indirect taxation. May I remind you that it was a Labour Government which put VAT on confectionery, ice-cream, soft drinks and potato crisps. There was no suggestion whatever in Labour's manifesto in last year's General Election that you would remove the VAT which Labour originally imposed on these specific items of food.

Yours sincerely

Raymond D. White

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The Rt. Hon. Neil Kinnock, MP