

CH/EX REF NO B(83)12COPY NO 1 OF 8 COPIES

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Prime Minister

PRIME MINISTER

PETROL, DERV AND VED

Yes no

Agree these proposals?

MS 24/2

We spoke last night about the duty increases I have in mind for petrol and derv. This note sets out my proposals in a little more detail for these duties and for Vehicle Excise Duty. I need to settle this now, so that Customs and Transport can go ahead with printing the detailed tables.

2. As I told you, I plan to increase the duty on petrol by 4p, which will yield £190 million in the coming year. This is slightly less than full revalorisation, which would have meant an increase of 4½p and an increased yield of £20 million. I propose that derv should go up by 3p, yielding £40 million. Full revalorisation would have meant an increase of 3.7p yielding £10 million more.

3. In both cases, the increases are relatively modest, but the revenue yield important. I am sure that this is the right course to take, particularly at a time when oil prices are falling.

4. If VED on cars and light vans were revalorised exactly this would mean an increase from the present £80 to £84.32. I propose to round this up to £85 which will yield £90 million. In deciding about VED on goods vehicles we have to bear in mind our commitment to move as quickly as possible to a position in which taxation, through derv duty and VED, is sufficient to ensure that each lorry group covers its road costs. To this end, and assuming 3p on derv, I am accepting proposals from David Howell to increase VED on the heavier and more damaging lorries by up to 26 per cent, which would still leave them short



of fully covering their road costs, and to fulfil our commitment to charge sufficient VED to ensure that road costs will be fully covered from the outset for the 38 tonne lorries which will be allowed on the road from 1 May. But we also plan to reduce VED by up to 10 per cent on over 300,000 lighter lorries, which is about 60 per cent of total goods vehicles. Even with this reduction, which will be a useful bonus to the operators concerned, road costs will still be covered for these particular lorry groups.

5. All these proposals have been discussed with David Howell and Nigel Lawson; and I have discussed the proposals for petrol and derv with George Younger, Nick Edwards and Michael Jopling. All are content. I should be most grateful if you could let me know, by Monday morning, whether you too are happy with them.

(G.H.)

24 February 1983

BUDGET SECRET

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25 February 1983

PETROL, DERV AND VED

The Prime Minister was grateful for the
Chancellor's minute of 24 February.

She agrees with his proposals.

MICHAEL SCHOLAR

John Kerr, Esq.,
HM Treasury.

BUDGET SECRET