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Treasury Chambers, Parliament Street, SW1P 3AG
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17 January 1989

P R C Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

Dear Paul,

with PG?

Further to my letter of yesterday enclosing the information underlying the tables at Annexes 4 to 7 of Section L of the Treasury Weekly Brief, the Chancellor has asked me to point out that the slight increase in the total tax burden for the man on average earnings between 1978-79 and 1988-89

- (i) reflects the sharp rise in average earnings in real terms: for someone on unchanged real earnings the total tax burden has fallen;
- (ii) is made up of a slight reduction in the burden of income tax and NICs which has been more than offset by an increase in taxes on spending (affected by decline in personal savings ratio) and rates (affected by local authority spending decisions).

Yours sincerely,

Duncan Sparkes

DUNCAN SPARKES
Assistant Private
Secretary