

PRIME MINISTER

Ralph Howell raised with you at your meeting last week the question of the impact of increases in tax thresholds on the number of taxpayers. The figures for 1978/9 till 1984/5 are given in the table below:

Thousands

	Number of taxpayers	Number of tax-payers* if allowances had remained at the level of the previous year	Differences
1978-79	25,900	-	-
1979-80	25,900	27,200	1,300
1980-81	25,200	26,500	1,300
1981-82	24,800	24,800	0
1982-83+	24,600	25,800	1,200
1983-84+	24,200	25,450	1,250
1984-85	24,100	24,950	850

+ Provisional

\* Including taxpaying wives

As you will see, the number of taxpayers has fallen from 25,900,000 in 1978/79 to 24,100,000 in 1984/85. Part of this is because thresholds have fallen by 16% in real terms. The number of taxpayers, however, is obviously affected by other factors such as the level of employment and the increase in earnings. A major contributor to the fall in the number of taxpayers will of course have been the increase in unemployment since 1978/79. Mr. Howell is right therefore in saying that the substantial increase in thresholds has not of itself produced a massive reduction in the number of taxpayers. On the other hand, increases in thresholds are very expensive and given that we cannot start all over again as Mr. Howell would like, what has been achieved is substantial.

2 May 1984