



Prime Minister

NM 18/12

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Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

13 December 1989

Andrew Turnbull Esq
PS/Prime Minister
10 Downing Street
LONDON
SW1

Dear Andrew

DATE OF THE 1990 BUDGET

The Prime Minister may wish to be aware that the Chancellor is aiming to present his Budget next year on 20 March. I understand that the date does not cause difficulties for the Prime Minister or for the Palace. Following the pattern of recent years, the Chancellor plans to announce the date of the Budget during his speech opening the Autumn Statement debate in January.

Yours
JG.

JOHN GIEVE
Principal Private Secretary



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the department for Enterprise
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cc pl

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry
Rt Hon John Major MP
Chancellor of The Exchequer
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Our ref

Your ref 11 December 1989

Date

Dear John

1990 BUDGET

I am writing in good time before the 1990 Budget, to give you my views on the overall fiscal strategy which I consider would best promote the long term interests of business; and to make a number of suggestions for tax changes which I believe would strengthen the supply performance of the economy.

You stressed, in presenting the Autumn Statement, that fiscal policy would remain tight, notwithstanding the modest increase in planned public expenditure in 1990-91. I am sure that this is right; I believe that for business, the most important objectives of the Budget, and indeed of macroeconomic policy generally, should be a lower rate of inflation, and the reductions in interest rates which that will in time make possible. I do not think that further reductions in personal taxation should be a priority for 1990; and I would support an increase in real terms in indirect taxes, and specifically in the main excise duties, if that is necessary to balance the reductions in business taxes which I favour, while keeping the overall fiscal stance tight.

I have considered carefully the arguments in favour of more generous capital allowances, particularly for plant and machinery. After two years of rapid growth in industrial investment, the rate of increase is now forecast to slow down or even to go into reverse in 1990 and 1991, just when industry needs to be equipping itself for 1992. To tackle this problem, I would favour an increase from 25% to 35% in the rate of writing down allowances for plant and machinery bought or leased from next April. There would be little or no cost in 1990-91; I understand that the cost would be approximately £1.2bn in 1991-92 rising to £1.9bn in 1993-94.



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