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LONDON SW1A 2AA

From the Private Secretary

7 March 1990

1990 BUDGET

The Prime Minister was most grateful for the Chancellor's minute of 6 March and attachments, which they discussed at their bilateral this evening.

It was agreed that, as indicated in paragraph 7 of the Chancellor's minute, it was necessary to reduce the net cost of the present package in 1991-92 by some £300 million from the figure set out in the scorecard. Following discussion of the options for achieving this, it was agreed that the best approach would be to drop the earlier proposal to reduce the main rate of Corporation Tax by 1 per cent. Apart from that change, the Budget package should be as set out in the scorecard; the changes in excise duties should not be adjusted to reflect the possibilities in paragraph 13 of the Chancellor's minute.

I am writing to you separately about one detailed point concerning the capital limits for means tested benefits.

PAUL GRAY

John Gieve, Esq.
H.M. Treasury

KK