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bc Mr. Wolfson

SUBJECT.

p. 10/10/81

10 DOWNING STREET

From the Private Secretary

20 February 1981

Dear Tim,

Indirect tax package

As you know, the Prime Minister discussed the proposed indirect tax package (your letter of 19 February refers) with the Chancellor and Sir Douglas Lovelock this afternoon.

The Prime Minister raised the question of whether there might be some shift from the increase in petrol and Derv duty to VED. She thought that, for example, a duty change on petrol and Derv which would result in a price rise of 18p per gallon together with a VED increase of £15 might be more acceptable politically than the increases proposed.

The Chancellor explained that he had discussed the balance between petrol and Derv and VED with the Minister for Transport who had argued on political grounds that any shift to VED on the lines suggested by the Prime Minister would be more difficult. But he would consult him again if the Prime Minister wished.

The Chancellor did so consult Mr. Fowler subsequent to the meeting, and they both concluded that it would be better to stick with the existing proposal. I reported this to the Prime Minister who said that she was content.

~ ~

Tim Lamb.

A.J. Wiggins, Esq.,
H.M. Treasury.

Wiggins