



10 DOWNING STREET

PRIME MINISTER

I thought that I should ask
for some figures about the burden
of taxation, and income tax in
particular, following the Lawson
speech and your exchange with
Mr Foot last Thursday.

Here they are - and very
unwelcome too.

MJS

17/1

MR CORLETT
MR STUBBINGTON

cc Mr Battishill
Mr White (SS)
Mr Flaxen (IR)

BURDEN OF PERSONAL TAXATION

No 10 asked for briefing on the burden of personal taxation, in the light of the exchange between the Prime Minister and the Leader of the Opposition on 15 January (copy attached).

2. Since the Government came to power, aggregate taxation has increased as a proportion of GDP from 39.7% in 1978/79 to 44.6% this year. The figures are as follows:-

Total taxation as % of GDP

1978-79	39.7
1979-80	42.5
1980-81	44.6

3. Within the totals, the taxes paid by individuals have also risen over the past 3 years, though less rapidly than the growth in aggregate taxation. The difference is mainly accounted for by the flow of North Sea revenue. The main taxes paid by persons have moved as follows relative to GDP (expressed as a percentage) :-

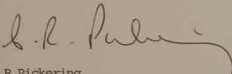
	Income Tax (1)	Taxes on Final Expenditure £ (2)	Total (1+2)
1978-9	12.9	10.7	23.6
1979-80	12.3	12.5	24.8
1980-81	12.8	13.0	25.8

4. However, the man on average manual earnings (or above) pays less in income tax now as a proportion of his earnings than he did in 1978/79. (For a single man on average manual earnings 23.5% against 23.7%; for a married man, 19.8% against 20.5%, assuming no allowances other than personal allowances.)

5. On the other hand, for persons on below average manual earnings the proportion has usually increased, following the abolition of the lower rate band; eg at three quarters average earnings, for a single man tax is now 21.3% of earnings against 20.7%, for a married man, 16.4% against 16.3%.

6. Members may mention national insurance contributions in the context of the burden of personal taxation. They have increased by $\frac{1}{2}$ % since 1978/9 and are due to rise by a further 1% in April. But, as Government Ministers have frequently pointed out, these contributions are nothing to do with tax.

7. This brief has been agreed with SS (paragraph 6 only) and the Inland Revenue.



C R Pickering
16 January 1981