

69/022



PPCS.

MR R I G ALLEN
MR CORLETT
MR GRIFFITHS ← 1ST

Note

spoke
Mr Bassett CEC
who has been
point on board
in light of C&E's
concerns
Mr. H. H. H.
I'd you please
(i) with C&E and agree
a draft which they
we can put up (using
their existing stock as a
basis) FFB 2413.

Mr Unwin
Mr Battishill
Mr Ridley Mr Haache
Mr Cropper
Mr Cardona
Mr Tolkien)
Mr Mathews) for information
Mr Warden)
Mr Michael)

PS/Inland Revenue
PS/Customs and Excise

BUDGET CORRESPONDENCE: STANDARD COMPLAINTS

The Financial Secretary thought it might be useful to work up some standard replies to one or two recurrent complaints about the Budget. He has already had a substantial number of letters making these points from his own constituents, and expects the flow to persist at least for a while.

The points are as follows:

- i. Petrol tax and its alleged impact on inflation. The idea that the petrol duty increase will put up prices generally seems to have gained a wide currency. The Financial Secretary sees a two-pronged answer as necessary to deal with this. In the first place, transport costs only account for x% of the RPI (or perhaps even better "prices in the shops"), and petrol only accounts for y% of transport costs. In other words, the petrol duty increase will only have added z% to prices. The second defence would be in terms of the general causes of inflation, ie the Government's overall monetary and fiscal strategy.
- ii. Personal allowances. A number of people have said that, if taxation had to be increased, this should have been done by increasing the basic rate, rather than freezing personal allowances. Here the reply might be that the Government carefully considered all the various options, none of which would please

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everybody; but that they had come down in favour of the chosen measures because of the disincentive effects of increasing the standard rate.

- iii. Raise the money some other way. Here it is clearly difficult to draft a general paragraph, but two common suggestions have been that more should have been done through gaming duties or through the dog licence. The answer is obvious enough, but the Financial Secretary would find it helpful to have a form of words for dealing with each of these suggestions, together with the appropriate figures.
- iv. Cut taxation and public borrowing, but don't cut expenditure. Despite the evident arithmetical inconsistency, this is still a theme which seems to crop up. The Financial Secretary would find it helpful to have a short draft paragraph dealing with this.

I would suggest that EB should take on (i) and (iv) above, FP2 (i) and FP1 (ii). None of the passages in question need be very long: indeed it would be helpful if they could be kept as simple as possible.

SAL

S A J LOCKE

20 March 1981