The devising of a Standard of living index, to include tax as part of the cost of living.

The Tax + Price Index (T.P.I).

STATISTICS

JUNE 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~5.7.79~~		~~16-4-81~~					
26.7.79		22-5-81					
1-8-79		~~19-6-81~~					
~~13-8-79~~		~~18.9.81~~					
~~14-8-79~~		~~16.10.81~~					
~~21.8.79~~		~~13.11.81~~					
~~29.8.79~~		~~15.12.81~~					
~~11-9-79~~		~~15.1.82~~					
13.12.79		~~12.2.82~~					
~~14.12.79~~		~~19.3.82~~					
~~18.4.80~~		~~6.4.82~~					
~~16.5.80~~		~~21.5.82~~					
~~13.6.80~~		~~16.7.82~~					
~~16-7-80~~		~~7.9.82~~					
~~15-8-80~~		~~15.10.82~~					
~~12-9-80~~		~~12.11.82~~					
~~17-10-80~~		~~17.12.82~~					
~~19-11-80~~		~~21.1.83~~					
~~14-12-80~~		~~11.2.83~~					
~~16-1-81~~		~~18.3.83~~					
~~13-2-81~~		~~22.4.83~~					
~~20-3-81~~		~~20.5.83~~					
		~~17.6.83~~					
		12.8.83					
		FILE CLOSED					

PREM 19/1143

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CSO(83) 60

12 August 1983

TAX AND PRICE INDEX, JULY 1983

The Tax and Price Index (TPI) for July was 174.3 based on January 1978=100. Over the twelve months to July the increase in the TPI was 3.1 per cent, compared with an increase of 4.2 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3
March	171.9	4.8	4.6
April	171.8	3.5	4.0
May	172.7	3.2	3.7
June	173.2	3.1	3.7
July	174.3	3.1	4.2

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1976 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The TPI increased by 3.1 per cent over the twelve months up to July 1983 while the RPI increased by 4.2 per cent. The increase in the TPI was smaller because of the increase in personal income tax allowances in the 1983 Budget. This was partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay, both with effect from April. In addition the gap between the twelve-month changes in the two indices has further widened because the taxation of unemployment benefit and supplementary benefit for the unemployed, introduced on 5 July 1982, has now been in operation for over a year.

Relative movements of the TPI and RPI

4. When direct taxation changes (usually at Budget time) the TPI will rise by less than or more than the RPI according to the type of changes made. Between Budgets however, the monthly increase in the TPI is normally slightly larger than that in the RPI (a more than proportionate increase in gross income is needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between June and July 1983, the RPI rose by 0.5 per cent while the TPI rose by 0.6 per cent. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1980/81, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 39,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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Prime Minister

MCW 15/6

(2)

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CSO(83) 45

17 June 1983

TAX AND PRICE INDEX, MAY 1983

The Tax and Price Index (TPI) for May was 172.7 based on January 1978=100. Over the twelve months to May the increase in the TPI was 3.2 per cent, compared with an increase of 3.7 per cent in the Retail Prices Index (RPI).

mr

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3
March	171.9	4.8	4.6
April	171.8	3.5	4.0
May	172.7	3.2	3.7

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1976 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The TPI increased by 3.2 per cent over the twelve months up to May 1983 while the RPI increased by 3.7 per cent. The increase in the TPI was smaller because of the increase in personal income tax allowances in the 1983 Budget. This was partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay, both with effect from April.

Relative movements of the TPI and RPI

4. When direct taxation changes (usually at Budget time) the TPI will rise by less than or more than the RPI according to the type of changes made. Between Budgets however, the monthly increase in the TPI is normally slightly larger than that in the RPI (a more than proportionate increase in gross income is needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between April and May 1983, the RPI rose by 0.4 per cent while the TPI rose by 0.5 per cent. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

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Prime Minister
Good
MLS 18/5

(2)

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CSO(83) 40
20 May 1983

TAX AND PRICE INDEX, APRIL 1983

The Tax and Price Index (TPI) for April was 171.8 based on January 1978=100. Over the twelve months to April the increase in the TPI was 3.5 per cent, compared with an increase of 4.0 per cent in the Retail Prices Index (RPI). The TPI has increased less than the RPI owing to the effect of the increased personal income tax allowances announced in the 1983 Budget. This effect was only partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay which also took effect from April.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3
March	171.9	4.8	4.6
April	171.8	3.5	4.0

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1976 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The TPI increased by 3.5 per cent over the twelve months up to April 1983 while the RPI increased by 4.0 per cent. The increase in the TPI was smaller because of the increase in personal income tax allowances in the 1983 Budget. This was partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay, both with effect from April.

Relative movements of the TPI and RPI

4. Between Budgets the monthly increase in the TPI is normally slightly larger than that in the RPI (a more than proportionate increase in gross income is needed to offset any rise in prices, since all the extra income is fully taxed). When direct taxation changes, the TPI will rise by less than or more than the RPI according to the type of changes made. In the 1983 Budget, personal income tax allowances were raised by more than was required to index them under the statutory formula. Also in April, the rate of employees' National Insurance contributions increased and taxable statutory sick pay was introduced. The overall result was that the TPI fell by less than 0.1 per cent between March and April 1983 while the RPI rose by 1.4 per cent. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading. Thus the April index reflects the effect of the increases in income tax allowances announced in the Budget, although these do not affect pay-packets until the first pay-day after 10 May.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1980/81, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 39,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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Central Statistical Office
Great George Street, London SW1P 3AQ Telephone 01-233 - 8078

PS/FINANCIAL SECRETARY TO THE TREASURY

cc Principal Private Secretary
PS/Chief Secretary to the Treasury
PS/Economic Secretary to the Treasury
Mr Byatt
Mr Burns

TAX AND PRICE INDEX

The twelve-month increase in the Tax and Price Index (TPI) up to April 1983 is expected to be approximately half a per cent lower than the increase in the RPI over the same period. I attach in draft the Press Notice for the April TPI, which is due for release on Friday 20 May. The main changes from the usual form of the monthly Press Notice are two new final sentences on the front page, and revised paragraphs 3, 4 and 6 of Notes to Editors.

The attached material was prepared before it was known that the Finance Bill would not go through in full. However, the omissions are likely to have little or no effect on the TPI because the index does not cover high incomes. The exact position will not be known for a day or two.

M.W. Kirsop

M W KIRSOP

Central Statistical Office

11 May 1983

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CSO(83) 35

20 May 1983

CONFIDENTIAL

TAX AND PRICE INDEX, APRIL 1983

The Tax and Price Index (TPI) for April was . based on January 1978=100. Over the twelve months to April the increase in the TPI was . per cent, compared with an increase of . per cent in the Retail Prices Index (RPI). The TPI has increased less than the RPI owing to the effect of the increased personal income tax allowances announced in the 1983 Budget. This effect was only partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay which also took effect from April.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3
March	171.9	4.8	4.6
April			

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1976 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by . per cent over the twelve months up to April 1983 while the TPI increased by . per cent. The increase in the TPI was smaller because of the increase in personal income tax allowances in the 1983 Budget. This was partly offset by the increase in employees' National Insurance contributions and the introduction of taxable statutory sick pay, both with effect from April.

Relative movements of the TPI and RPI

4. Between Budgets the monthly increase in the TPI is normally slightly larger than that in the RPI (a more than proportionate increase in gross income is needed to offset any rise in prices, since all the extra income is fully taxed). When direct taxation changes, the TPI will rise by less than or more than the RPI according to the type of changes made. In the 1983 Budget, personal income tax allowances were raised by more than was required to index them under the statutory formula. Also in April, the rate of employees' National Insurance contributions increased and taxable statutory sick pay was introduced. The overall result was that the TPI [rose] by X.X per cent between March and April 1983 while the RPI rose by X.X per cent. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading. Thus the April index reflects the effect of the increases in income tax allowances announced in the Budget, although these do not affect pay-packets until the first pay-day after 10 May.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1980/81, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 39,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(83) 35
22 April 1983

TAX AND PRICE INDEX, MARCH 1983

The Tax and Price Index (TPI) for March was 171.9 based on January 1978=100. Over the twelve months to March the increase in the TPI was 4.8 per cent, compared with an increase of 4.6 per cent in the Retail Prices Index (RPI). The effects of the tax changes announced in the 1983 Budget do not appear in the March TPI.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3
March	171.9	4.8	4.6

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1976 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 4.6 per cent over the twelve months up to March 1983 while the TPI increased by 4.8 per cent. The TPI increase was larger because of the introduction on 5 July 1982 of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). In fact, because of rounding, both the RPI and TPI rose by 0.2 per cent between February and March 1983. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1980/81, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 39,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(83) 24

18 March 1983

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TAX AND PRICE INDEX, FEBRUARY 1983

The Tax and Price Index (TPI) for February was 171.6 based on January 1978=100. Over the twelve months to February the increase in the TPI was 5.7 per cent, compared with an increase of 5.3 per cent in the Retail Prices Index (RPI). The tax changes announced in the 1983 Budget do not appear in the February TPI.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)	Percentage change in TPI over 12 months	Corresponding change in RPI
1982			
January	162.3	15.6	12.0
February	162.4	14.4	11.0
March	164.0	13.7	10.4
April	166.0	9.7	9.4
May	167.4	9.8	9.5
June	168.0	9.4	9.2
July	169.0	9.6	8.7
August	169.0	8.7	8.0
September	168.9	7.9	7.3
October	169.9	7.4	6.8
November	170.9	6.7	6.3
December	170.5	5.8	5.4
1983			
January	170.7	5.2	4.9
February	171.6	5.7	5.3

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Notes to editors

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What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 5.3 per cent over the twelve months up to February 1983 while the TPI increased by 5.7 per cent. The TPI increase was larger because of the introduction on 5 July 1982 of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between January and February 1983, the RPI rose by 0.4 per cent but the TPI rose by 0.5 per cent. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £16,170 a year at January 1983 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(83) 14
11 February 1983

TAX AND PRICE INDEX, JANUARY 1983

The Tax and Price Index (TPI) for January was 170.7 based on January 1978=100. Over the twelve months to January the increase in the TPI was 5.2 per cent, compared with an increase of 4.9 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1982	1983	1982	1983	1982	1983
January	162.3	170.7	15.6	5.2	12.0	4.9
February	162.4		14.4		11.0	
March	164.0		13.7		10.4	
April	166.0		9.7		9.4	
May	167.4		9.8		9.5	
June	168.0		9.4		9.2	
July	169.0		9.6		8.7	
August	169.0		8.7		8.0	
September	168.9		7.9		7.3	
October	169.9		7.4		6.8	
November	170.9		6.7		6.3	
December	170.5		5.8		5.4	

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Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 4.9 per cent over the twelve months up to January 1983 while the TPI increased by 5.2 per cent. The TPI increase was larger because of the introduction on 5 July 1982 of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. These changes were partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). In fact, because of rounding, both the RPI and the TPI rose by 0.1 per cent between December 1982 and January 1983. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1979/80, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(83) 11

21 January 1983

TAX AND PRICE INDEX, DECEMBER 1982

The Tax and Price Index (TPI) for December was 170.5 based on January 1978=100. Over the twelve months to December the increase in the TPI was 5.8 per cent, compared with an increase of 5.4 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5	169.0	14.9	8.7	11.5	8.0
September	156.6	168.9	14.9	7.9	11.4	7.3
October	158.2	169.9	15.2	7.4	11.7	6.8
November	160.1	170.9	15.6	6.7	12.0	6.3
December	161.2	170.5	15.6	5.8	12.0	5.4

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 5.4 per cent over the twelve months up to December 1982, while the TPI increased by 5.8 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. These changes were partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Similarly, when the RPI falls the TPI will normally fall slightly faster. In fact, because of rounding, both the RPI and the TPI fell by 0.2 per cent between November and December 1982. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(82) 98

17 December 1982

TAX AND PRICE INDEX, NOVEMBER 1982

The Tax and Price Index (TPI) for November was 170.9 based on January 1978=100. Over the twelve months to November the increase in the TPI was 6.7 per cent, compared with an increase of 6.3 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5	169.0	14.9	8.7	11.5	8.0
September	156.6	168.9	14.9	7.9	11.4	7.3
October	158.2	169.9	15.2	7.4	11.7	6.8
November	160.1	170.9	15.6	6.7	12.0	6.3
December	161.2		15.6		12.0	

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 6.3 per cent over the twelve months up to November 1982, while the TPI increased by 6.7 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. These changes were partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between October and November 1982, the RPI rose by 0.5 per cent but the TPI rose by 0.6 per cent. If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve month increases. Nevertheless, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(82) 87

12 November 1982

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TAX AND PRICE INDEX, OCTOBER 1982

The Tax and Price Index (TPI) for October was 169.9 based on January 1978=100. Over the twelve months to October the increase in the TPI was 7.4 per cent, compared with an increase of 6.8 per cent in the Retail Prices Index (RPI).

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TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5	169.0	14.9	8.7	11.5	8.0
September	156.6	168.9	14.9	7.9	11.4	7.3
October	158.2	169.9	15.2	7.4	11.7	6.8
November	160.1		15.6		12.0	
December	161.2		15.6		12.0	

COPY No. 12

PERSONAL AND CONFIDENTIAL until release of Press Notice at .30 .m. on 12 NOV 1982 and thereafter unclassified.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 6.8 per cent over the twelve months up to October 1982, while the TPI increased by 7.4 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. These changes were partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between September and October 1982, the RPI rose by 0.5 per cent but the TPI rose by 0.6 per cent. If the TPI draws ahead of the RPI over the month by more (or less) then it did a year earlier, this will change the gap between the two twelve month increases. Nevertheless, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(82) 80
15 October 1982

TAX AND PRICE INDEX, SEPTEMBER 1982

The Tax and Price Index (TPI) for September was 168.9 based on January 1978=100. Over the twelve months to September the increase in the TPI was 7.9 per cent, compared with an increase of 7.3 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5	169.0	14.9	8.7	11.5	8.0
September	156.6	168.9	14.9	7.9	11.4	7.3
October	158.2		15.2		11.7	
November	160.1		15.6		12.0	
December	161.2		15.6		12.0	

prepared by the Government Statistical Service

Notes to editors

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What the TPI measures

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3. The RPI increased by 7.3 per cent over the twelve months up to September 1982, while the TPI increased by 7.9 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. These changes were partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Similarly, when the RPI falls the TPI will normally fall slightly faster. In fact, because of rounding, both the RPI and the TPI fell by 0.1 per cent between August and September 1982. However, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(82) 73

17 September 1982

TAX AND PRICE INDEX, AUGUST 1982

The Tax and Price Index (TPI) for August was unchanged at 169.0 based on January 1978=100. Over the twelve months to August the increase in the TPI was 8.7 per cent, compared with an increase of 8.0 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5	169.0	14.9	8.7	11.5	8.0
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
November	160.1		15.6		12.0	
December	161.2		15.6		12.0	

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Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 8.0 per cent over the twelve months up to August 1982, while the TPI increased by 8.7 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. This was partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve-month increases. Nevertheless, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

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CSO(82) 62

13 August 1982

TAX AND PRICE INDEX, JULY 1982

The Tax and Price Index (TPI) for July was 169.0 based on January 1978=100. Over the twelve months to July the increase in the TPI was 9.6 per cent, compared with an increase of 8.7 per cent in the Retail Prices Index (RPI). The gap between the two twelve-month changes increased in July because benefits paid to the unemployed became liable to tax, thus increasing the TPI.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2	169.0	14.3	9.6	10.9	8.7
August	155.5		14.9		11.5	
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
November	160.1		15.6		12.0	
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prepared by the Government Statistical Service

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What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 8.7 per cent over the twelve months up to July 1982, while the TPI increased by 9.6 per cent. The TPI increase was larger because of the introduction on 5 July of taxation of unemployment benefit and supplementary benefit for the unemployed, and also because of the rise in employees' National Insurance contributions in April 1982. This was partly offset by the Budget increases in tax allowances.

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). In addition, the TPI increased in July as benefits paid to the unemployed became liable to tax. Thus, between June and July 1982 there was virtually no increase in the RPI, but the TPI rose by 0.6 per cent. If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve-month increases. Nevertheless, the focus of attention should be the changes over twelve months.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working, unemployed or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1979/80, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

(PA) Stats

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CSO(82) 54

16 July 1982

TAX AND PRICE INDEX, JUNE 1982

The Tax and Price Index (TPI) for June was 168.0 based on January 1978=100. Over the twelve months to June the increase in the TPI was 9.4 per cent, compared with an increase of 9.2 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5	168.0	14.9	9.4	11.3	9.2
July	154.2		14.3		10.9	
August	155.5		14.9		11.5	
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
November	160.1		15.6		12.0	
December	161.2		15.6		12.0	

Notes to editors

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What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 9.2 per cent over the twelve months up to June 1982, while the TPI increased by 9.4 per cent. The TPI increase was larger because of the rise in employees' National Insurance contributions in April 1982. This was partly offset by raising personal tax allowances in the last Budget by more than the increase in the RPI. (The gap between the two rates of increase is narrower than in 1981/82, because of the increase in tax allowances.)

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between May and June 1982 the RPI rose by 0.3 per cent, but the TPI by 0.4 per cent. If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve-month increases. Nevertheless, it is changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1979/80, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(82) 46
18 June 1982

TAX AND PRICE INDEX, MAY 1982

The Tax and Price Index (TPI) for May was 167.4 based on January 1978=100. Over the twelve months to May the increase in the TPI was 9.8 per cent, compared with an increase of 9.5 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3	164.0	13.4	13.7	12.6	10.4
April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4	167.4	15.3	9.8	11.7	9.5
June	153.5		14.9		11.3	
July	154.2		14.3		10.9	
August	155.5		14.9		11.5	
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
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2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' National Insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. The RPI increased by 9.5 per cent over the twelve months up to May 1982, while the TPI increased by 9.8 per cent. The TPI increase was larger because of the rise in employees' National Insurance contributions in April 1982. This was partly offset by raising personal tax allowances in the last Budget by more than the increase in the RPI. (The gap between the two rates of increase is narrower than in 1981/82, because of the increase in tax allowances.)

Relative movements of the TPI and RPI

4. At the time of a Budget the TPI will rise by less than the RPI if personal income tax allowances are increased, as is normally the case. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between April and May 1982 the RPI rose by 0.7 per cent, but the TPI by 0.8 per cent. If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve-month increases. Nevertheless, it is changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

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CSO(82) 41

21 May 1982

TAX AND PRICE INDEX, APRIL 1982

The Tax and Price Index (TPI) for April was 166.0 based on January 1978=100. Over the twelve months to April the increase in the TPI was 9.7 per cent, compared with an increase of 9.4 per cent in the Retail Prices Index (RPI). The increase in the TPI is larger because of the increase in employees' National Insurance contributions in April, but the gap between the two rates of increase has been substantially reduced by the increase in personal tax allowances announced in the Budget.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
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April	151.3	166.0	15.7	9.7	12.0	9.4
May	152.4		15.3		11.7	
June	153.5		14.9		11.3	
July	154.2		14.3		10.9	
August	155.5		14.9		11.5	
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Relative movements of the TPI and RPI

4. Between Budgets the monthly increase in the TPI is normally slightly larger than that in the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). At the time of a Budget the TPI will normally rise by less than the RPI as personal income tax allowances are increased. So the TPI rose by only 1.2 per cent between March and April 1982 compared with a 2.0 per cent rise in the RPI, although employees' National Insurance contributions rose at the same time.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

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Prime Minister (4)

Worth glancing at.

MLS 7/4

FROM: R I G ALLEN
DATE: 6 April 1982

MR SCHOLAR (NO 10)

cc Mr Williams
(without attachment)

LIVING STANDARDS COMPARED WITH LABOUR

We spoke about this on the telephone last week. You might be interested to see the attached note by Mr Williams. The real personal disposable income (RPDI) figures suggest that:

i. It can be argued persuasively that the Prime Minister is right on the narrow arithmetical point - certainly RPDI in 1981 Q4 was (marginally) higher than in 1979 Q1.

But ii. Notwithstanding its usefulness as a debating point, it is probably unwise to make too much of the point. Personal living standards are expected to fall this year so that any marginal advantage over 1979 Q1 will probably be lost. And since the Government believes that real wages are essentially too high and its policies are aimed at achieving a shift of income from individuals to companies there is an element in the argument of the Government trying to "have its cake and eat it".

iii. A possibly more robust point to make is that personal living standards are now some 10 per cent higher than the average for the period of the last Labour Government, though this again is subject to the difficulty noted in the final sentence of (ii) above.

RA

R I G ALLEN
EB

35/218

FROM: C H K WILLIAMS
DATE: 6 April 1982

CHIEF SECRETARY

cc PPS
PS/FST
PS/EST
PS/MST(L)
Mr Kemp
Mr Allen
Mr Ridley
Mr French
Mr Harris

LIVING STANDARDS COMPARED WITH LABOUR

We discussed this yesterday. You may find it useful to have the attached for this afternoon.

C H K Williams

C H K WILLIAMS

Living standards higher than at any time under Labour

1. During PM questions on 25 March the PM on three occasions stated that living standards remained above the levels of the last Labour Government. (Copies attached).

2. During PM questions on 1 April Mr Meacher claimed that the PM had misled the House and that "RPDI ... is lower than when the Labour Government left office ..." (Copy attached).

3. Who is correct hinges on the definition of when a Government leaves office in terms on a quarterly statistical series:

		£M 1975 prices	
1979	Q1	20,483	our index numbers
1979	Q2	20,815	← are based on these
1981	Q4	20,594	figures MCS

Thus RPDI in 4Q 1981 was above 1Q 1979 (the last full quarter of the previous administration) but below 2Q 1979.

4. However this is resolved (and this ignores whether the data is accurate enough for any minor differences to be meaningful), it is very likely that RPDI will fall below 1Q 1979 levels. It needs only to decline a further ½ per cent to do so. The FSBR states "A further small fall in the real incomes of consumers is expected in 1982 ...". In view of this, it would be wise to desist from further using the 'living standards higher than any time under Labour' line.

5. It has, in any case, always sat somewhat uneasily next to an economic presentation, that has continually stressed the need for wage moderation and the need for the rebuilding of profits, after the unsustainable burst in RPDI between 1977 and 1980 (when it rose some 17 per cent).

6. The recent (1981 down 2 per cent on 1980) and prospective decline in RPDI, can be presented as being both essential for jobs, and comparatively modest relative to the 1977-80 rise; and by no means unexceptional relative to declines during the previous administration. RPDI declined in 1974, 1975, 1976 and 1977, by a total of 4 per cent.

terms a month ago. I shall answer in exactly the same way I did then, and assure the House that the Royal Ulster Constabulary has adequate and sufficient weapons, and that any request from the Chief Constable and the Police Authority for more weapons or weapons of a different sort will, of course, be sympathetically considered.

Bill of Rights

19. **Mr. Kilfedder** asked the Secretary of State for Northern Ireland if he will introduce a Bill of Rights for Ulster based on the constitution of the United States of America.

Mr. Prior: I recognise the importance that many people in Northern Ireland attach to the protection of human rights there. I have at present no plans to introduce a Bill of Rights for Northern Ireland, but I keep the whole question of human rights under careful review.

Mr. Kilfedder: As the question of human rights in Northern Ireland is a sensitive and vital issue, will the right hon. Gentleman reconsider his decision, and urgently bring forward a Bill of Rights based on the constitution of the United States, which is the greatest multi-religious and multi-racial democracy in the world, and thus guarantee that everyone in the Province, Protestant and Roman Catholic, Republican and Loyalist, would have the same rights and protections as those enjoyed in the United States?

Mr. Prior: I know that the hon. Gentleman feels very strongly on this issue. I cannot see any prospect of early legislation. These are highly contentious matters in the House. A Bill of Rights for the whole United Kingdom—that is what could well be involved here—is a matter that is more appropriate to my right hon. Friend the Home Secretary.

PRIME MINISTER

Engagements

Q1. **Mr. Alton** asked the Prime Minister if she will list her official engagements for Thursday 25 March.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further meetings later today. This evening I shall attend a reception at Buckingham Palace for winners of The Queen's Award for Export and Technology.

Mr. Alton: Has the Prime Minister had time to consider the statement that was made at the end of the discussions between her right hon. Friend the Secretary of State for Defence and other NATO chiefs in America to the effect that the contracts that were to have been awarded to British firms involved in the Trident contract may not now go to British workers? Will she comment on that, in view of the fact that she previously said that the work would go to British workers?

The Prime Minister: A great many jobs in connection with Trident will come to Britain, particularly at the peak of the programme, when there will be about 20,000 jobs. Of course, the submarines and the warheads will be made here. It was hoped that we would be able to tender for some of the sub-contracting work for the main delivery mechanism. We still hope for that, and naturally my right hon. Friend will press hard for it.

Mr. Kenneth Carlisle: Does my right hon. Friend agree that one of the great successes of this country during the past two years has been the growing number of large overseas contracts that have been won against strong international competition? Is not great credit due, not only to the successful firms, but to the Government and the Department of Trade, who have co-ordinated so much better the many Government services that help firms in pursuing these major overseas projects?

The Prime Minister: I am grateful to my hon. Friend. We have won a large number of major overseas contracts, and that fact owes a great deal to the expertise of ECGD and the Department of my right hon. Friend the Secretary of State for Trade, and also to the way in which we have added a certain amount of aid to contracts that we could get, for the purpose of securing jobs for workers in this country.

Mr. Foot: Has the right hon. Lady found time today to send a last minute message to the electors in Hillhead, incorporating for their benefit the latest views of the Chancellor of the Exchequer on how living standards fell last year and will continue to fall during the coming year?

The Prime Minister: I have not sent an extra message to Hillhead.

Mr. William Hamilton: Very wise.

The Prime Minister: For the right hon. Gentleman's better and more accurate information, may I point out that living standards are now higher than they were at any time during the period of the last Labour Government.

Mr. Foot: Does the right hon. Lady confirm what the Chancellor of the Exchequer said? Will she now tell us how long these living standards are likely to continue to fall? As this is one of the few matters on which the Cabinet seems able to agree—it seems to reflect what the Leader of the House said a few weeks ago, for which he was rebuked by the right hon. Lady—surely she can send the message to Hillhead, so that it can be quite clear?

The Prime Minister: Perhaps the right hon. Gentleman will recollect that living standards fell heavily in 1975, 1976 and 1977. He has only to consider the real personal disposable income figures, which rose sharply between 1977 and 1980, by a figure wholly unrelated to the growth of productivity and output, during a time when real company incomes fell by over 20 per cent. That is the point to which my right hon. and learned Friend the Chancellor referred. One cannot have an increase in personal incomes except by increasing personal output. However, I am happy to send a message to Hillhead to the effect that living standards are now higher than at any time during the period of the Labour Government.

Mr. John Browne: Does my right hon. Friend accept that recent Government action has opened truly vast opportunities in the videotext and information technology industry, both for employment and for real wealth creation? Will my right hon. Friend reassure the House that such great opportunities will not be eroded by Government caution or unnecessary over-regulation?

The Prime Minister: Many job opportunities are opening up. I congratulate the Department of Industry, and especially my hon. Friend the Minister for Industry and Information Technology on his vigorous role in opening up those opportunities. There will be new opportunities because of the private satellite that will be launched within three or four years and new chances for cable television. We shall try not to tie up those opportunities with red tape, but we must consider some regulatory matters before final decisions are made on cable television.

Mr. David Steel: Is the Prime Minister aware that, although she cannot send a message today to the people of Hillhead, the people of Hillhead are likely to send a message to her today? Would she care to add to the education of the people in Hillhead by giving us the latest figure for the tax and the price index compared with when she took office?

The Prime Minister: I repeat that I am very happy to send a message to Hillhead to the effect that living standards are now higher than at any time under the Labour Government. That includes living standards under the Government of which his candidate was a member. The tax and price index is up. If the right hon. Gentleman wishes it to be lowered, as I do, will he please say what expenditure he will cut or what social service benefits he will cut?

Mr. Dickens: Will my right hon. Friend take time today to study today's copy of the *Labour Herald*, which contains an article by Ken Livingstone? Is she aware that the article is an effort to influence the selection of the next Commissioner of Police of the Metropolis in succession to Sir David McNee? Is she further aware that Mr. Livingstone suggested that Sir Kenneth Newman is unsuitable for the job because his colonial army methods used in Northern Ireland would not be suitable for London streets? Does my right hon. Friend accept that this would be a most suitable appointment and just what we need to control problems in London?

The Prime Minister: I confess that the *Labour Herald* is not on my daily reading list. Fortunately, appointments to the Metropolitan Police fall to my right hon. Friend the Home Secretary, and the appointment of Sir Kenneth Newman will be suitable in every way.

Mr. Donald Stewart: Will the Prime Minister take time today to study a poll conducted by the BBC, which shows that 60 per cent. of British people wish to withdraw from the Common Market and that people are aware that it has meant dearer food, fewer jobs and gross interference in our internal affairs? Will she support arrangements to take us out of the Common Market, for which she would have a mandate from the United Kingdom electorate?

The Prime Minister: I have seen some of the polls to which the right hon. Gentleman refers, but I note with interest that a majority are shown as agreeing that the European Community has increased the political stability of Europe. That is a very important prize.

Q2. **Mr. John Townend** asked the Prime Minister if she will list her official engagements for 25 March.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Townend: Will my right hon. Friend take time today to study the remarkable maiden speech made in another place yesterday by the Lord Chief Justice, in which he said that what will destroy the efficiency of the police more quickly than anything else is the undermining of its authority by people who should know better? Does she agree that the police can act and operate effectively only it they have the consent and the active support of law-abiding citizens?

The Prime Minister: I certainly read the most excellent speech to which my hon. Friend refers and I hope that hon. Members on both sides of the House will agree with it. We cannot just leave law and order to the police. We must uphold them in their actions and give not only our consent to what they do but our active support and help when they need it.

Mr. Joel Barnett: As the Chancellor of the Exchequer said in last year's Budget that one of our major problems was that living standards have risen beyond the growth of the economy, why is the Prime Minister now boasting about living standards having risen when growth has declined?

The Prime Minister: It is a fact that the living standards of ordinary people are higher than they were under the Labour Government. One reason for that, unfortunately, is that there has been a redistribution of incomes away from companies to those who work in the many enterprises. The Government believe that profits must now be rebuilt. That is also part of what my right hon. and learned Friend was saying.

Mr. Lawrence: While my right hon. Friend is sending messages to Hillhead, will she remind the electors that practically the only matter upon which the leader of the Liberal Party and one or other of the leaders of the Social Democratic Party are agreed is that one solution to the rise in crime and lawlessness in the streets is to legalise cannabis?

The Prime Minister: It is news to me that they are agreed on anything.

Q3. **Mr. Skinner** asked the Prime Minister if she will list her official engagements for Thursday 25 March.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Skinner: Has the Prime Minister further considered the Government White Paper on the industrial injuries scheme issued a few months ago? Is she satisfied with the launching of further attacks upon the crippled in our society by withdrawing disablement benefit from all those beneficiaries under 10 per cent., stopping the hospital treatment allowance, removing special hardship payments for those who receive £19·32 a week after they have retired and removing industrial death benefit? Does the Prime Minister take a special delight in launching attacks on those who have difficulty in fighting back?

The Prime Minister: Perhaps the hon. Gentleman has forgotten the excellent record of the Government in helping many of the disabled. I was asked especially about the industrial injuries scheme. May I also remind the hon. Gentleman that in this Budget we removed tax on the mobility allowance, which has not been done by any other Government, and the last Budget lowered the tax for the blind.

Mr. Myles: Will my right hon. Friend consider the amount of aid that has been given to the Western Isles by

Agricultural Holdings

18. **Mr. Heddle** asked the Minister of Agriculture, Fisheries and Food whether he has received any recent representations from the National Farmers Union and the Country Landowners Association concerning the interests of landlords and tenants of agricultural holdings.

Mr. Buchanan-Smith: We have had no recent representations from the presidents of the National Farmers Union and the Country Landowners Association. We have, however, received a number of letters from hon. Members passing on the views of local branches of those organisations.

Mr. Heddle: Does my right hon. Friend agree that his endeavours to create agricultural tenancies and so to give our young farmers the opportunity to branch out on their own, are frustrated by the blind opposition of the Labour Party? Will my right hon. Friend urge leaders of the NFU and of the CLA in the interests of agriculture's future, to obtain from the Labour Party an agreement to those sensible proposals?

Mr. Buchanan-Smith: There is no doubt that the objectives that the CLA and the NFU have sought to achieve are broadly supported in the House. Good progress has been made so far. As the House knows there are some differences of opinion. We have received a number of other representations, which we are considering. I hope that Opposition Members will have listened to what my hon. Friend has said.

Mr. Maclennan: If the Government favour the proposals of the CLA and NFU, why do they try to pass the responsibility for not acting on those proposals to the Opposition and not bring forward their own proposals? Is the Minister aware that the NFU now views the Government's delay as a ducking of responsibility?

Mr. Buchanan-Smith: The hon. Gentleman is completely incorrect in his final remark. If he were more in touch with what was happening in agriculture, he would know that many different views are expressed. In the long-term interests of agriculture, whatever changes are made should be effective and long lasting. It is worth while taking a little longer to reach the right solutions.

Mr. Maxwell-Hyslop: Is not my right hon. Friend aware that the NFU must be accepted as speaking for the farmers? It is in agreement with the CLA. There is no other sphere in which the concurrence of the official Opposition is required, so why on earth should it be required in this sphere?

Mr. Buchanan-Smith: My hon. Friend should be aware that a number of other representations have been made. We are discussing this matter with the various interests concerned. I hope that, once the discussions are completed, we can come to conclusions. There is no doubt that there is room for improvement. We wish to see sensible improvements in future.

PRIME MINISTER

Engagements

Q1. **Mr. Meacher** asked the Prime Minister if she will list her official engagements for 1 April.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House I shall have further meetings later today. This evening I hope to dine with Her Majesty the Queen at Windsor.

Mr. Meacher: Is the Prime Minister aware that she misled the House a week ago when she said that living standards were now higher than at any time under the previous Labour Government? Is she aware that the Government's figures published yesterday show that real personal disposable income, which is the right hon. Lady's definition of living standards, is lower than when the Labour Government left office? Is she further aware that the truth is that living standards under the Labour Government rose continually by 13 per cent., whereas under the Tory Government they have fallen continually by 5 per cent.

The Prime Minister: I have been looking at the figures. For the first quarter of 1979 real personal disposable income was 109·8 on the index. In the last quarter of 1981 it was 111·5.

Mr. John Browne: Is my right hon. Friend aware that the sudden imposition of VAT on the sale of gold coins has, in the absence of foreign exchange controls, exported that business, and that British residents will now buy gold abroad? Will she consider abolishing VAT for all gold purchases in order to bring employment in that important, profitable and influential business back to Great Britain?

The Prime Minister: As my hon. Friend knows, that announcement was made yesterday. It will take some time for the markets to settle down. We shall have to see what happens then.

Mrs. Shirley Williams: Will the Prime Minister tell the Department of Education and Science to end the absurd anomaly under which any unemployed young person who studies for more than 21 hours a week is immediately refused supplementary benefit, which is directly contrary to what the Prime Minister has repeatedly said about the need for people to work harder?

The Prime Minister: I thought that the right hon. Lady would know that on the whole supplementary benefit is not meant for students. Therefore, there has to be a certain limit at which it ceases to be paid to students. That has been the rule under all Governments. The question is precisely when that limit is applied. A number of questions have been put to my right hon. Friends the Secretaries of State for Education and Science and Social Services on that matter. There have been some recent modifications to the 21-hour rule. I must stress again that supplementary benefit is not for those who are more or less full-time students.

Mr. Jessel: As the Liberal Party is opposed to the possession by the United Kingdom of an independent nuclear deterrent and as the Social Democratic Party thinks that we should have one, is there not a deep split between the two parties on a matter that is of fundamental importance to the country? If by any chance those parties were to hold the balance in Parliament after the next general election, the British public would have not the faintest idea whether this country would have a nuclear deterrent.

The Prime Minister: That is but one of the things over which the Liberal Party and the Social Democratic Party

Prime Minister (2)

MCS 19/3

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CSO(82) 25
19 March 1982

TAX AND PRICE INDEX, FEBRUARY 1982

The Tax and Price Index (TPI) for February was 162.4 based on January 1978=100. Over the twelve months to February the increase in the TPI was 14.4 per cent, compared with an increase of 11.0 per cent in the Retail Prices Index (RPI). The tax changes announced in the 1982 Budget do not appear in the February TPI.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9	162.4	13.2	14.4	12.5	11.0
March	144.3		13.4		12.6	
April	151.3		15.7		12.0	
May	152.4		15.3		11.7	
June	153.5		14.9		11.3	
July	154.2		14.3		10.9	
August	155.5		14.9		11.5	
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
November	160.1		15.6		12.0	
December	161.2		15.6		12.0	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' national insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. In particular, the RPI increased by 11.0 per cent over the twelve months up to February 1982. But the TPI increased by 14.4 per cent over the same period because it also takes account both of the decision not to increase personal income tax allowances in the 1981 Budget, and of the increases in employees' national insurance contributions in April 1981.

Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between January and February 1982 there was virtually no change in the RPI but, after rounding the TPI rose by 0.1 per cent. If the TPI draws ahead of the RPI over the month by more (or less) than it did a year earlier, this will change the gap between the two twelve-month increases, even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £15,150 a year at January 1982 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1979/80, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

Prime Minister (2)

Mcs 11/2

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12 February 1982

TAX AND PRICE INDEX, JANUARY 1982

The Tax and Price Index (TPI) for January was 162.3 based on January 1978=100. Over the twelve months to January the increase in the TPI was 15.6 per cent, compared with an increase of 12.0 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1981	1982	1981	1982	1981	1982
January	140.4	162.3	14.0	15.6	13.0	12.0
February	141.9		13.2		12.5	
March	144.3		13.4		12.6	
April	151.3		15.7		12.0	
May	152.4		15.3		11.7	
June	153.5		14.9		11.3	
July	154.2		14.3		10.9	
August	155.5		14.9		11.5	
September	156.6		14.9		11.4	
October	158.2		15.2		11.7	
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Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between December 1981 and January 1982 the RPI rose by 0.6 per cent, but the TPI by 0.7 per cent. In any month, this differential may not equal the differential occurring in the corresponding month of the previous year; so the gap between the two twelve-month increases shown overleaf can vary a little even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

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MAP to see - Prime Minister ② MCS 15/1

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CSO(82)5

15 January 1982

MS

TAX AND PRICE INDEX, DECEMBER 1981

The Tax and Price Index (TPI) for December was 161.2 based on January 1978=100. Over the twelve months to December the increase in the TPI was 15.6 per cent, compared with an increase of 12.0 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
September	136.3	156.6	17.3	14.9	15.9	11.4
October	137.3	158.2	16.8	15.2	15.4	11.7
November	138.5	160.1	16.6	15.6	15.3	12.0
December	139.4	161.2	16.4	15.6	15.1	12.0

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Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between November and December the RPI rose by 0.6 per cent, but the TPI by 0.7 per cent. In any month, this differential may not equal the differential occurring in the corresponding month of the previous year; so the gap between the two twelve-month increases shown overleaf can vary a little even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

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15 January 1982

TAX AND PRICE INDEX, DECEMBER 1981

The Tax and Price Index (TPI) for December was 161.2 based on January 1978=100. Over the twelve months to December the increase in the TPI was 15.6 per cent, compared with an increase of 12.0 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
September	136.3	156.6	17.3	14.9	15.9	11.4
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Relative movements of the TPI and RPI

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Coverage and calculation of the TPI

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Prime Minister Stats (2)

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18 December 1981

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TAX AND PRICE INDEX, NOVEMBER 1981

The Tax and Price Index (TPI) for November was 160.1 based on January 1978=100. Over the twelve months to November the increase in the TPI was 15.6 per cent, compared with an increase of 12.0 per cent in the Retail Prices Index (RPI). The increase in employees' National Insurance contributions announced by the Chancellor of the Exchequer on 2 December 1981 will not affect the TPI until April 1982.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
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Relative movements of the TPI and RPI

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Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the hosueholds on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

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CSO(81)88

13 November 1981

TAX AND PRICE INDEX, OCTOBER 1981

The Tax and Price Index (TPI) for October was 158.2 based on January 1978=100. Over the twelve months to October the increase in the TPI was 15.2 per cent, compared with an increase of 11.7 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
September	136.3	156.6	17.3	14.9	15.9	11.4
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December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' national insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. In particular, the RPI increased by 11.7 per cent over the twelve months up to October 1981. But the TPI increased by 15.2 per cent over the same period because it also takes acocunt both of the decision not to increase personal income tax allowances in the 1981 Budget, and of the increases in employees' national insurance contributions in April 1981. The twelve month change in the TPI will remain ahead of that in the RPI at least until the next Budget.

Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between September and October the RPI rose by 0.9 per cent, but the TPI by 1.0 per cent. In any month, this differential may not equal the differential occurring in the corresponding month of the previous year; so the gap between the two twelve-month increases shown overleaf can vary a little even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1978/79, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

Stats. (4)

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CSO(81) 79
16 October 1981

Prime Minister

PERSONAL AND CONFIDENTIAL until release of Press Notice at 11.30 a.m. on 16/10/81 and thereafter unclassified.

MES 16/10

TAX AND PRICE INDEX, SEPTEMBER 1981

The Tax and Price Index (TPI) for September was 156.6 based on January 1978=100. Over the twelve months to September the increase in the TPI was 14.9 per cent, compared with an increase of 11.4 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
September	136.3	156.6	17.3	14.9	15.9	11.4
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' national insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. In particular, the RPI increased by 11.4 per cent over the twelve months up to September 1981. But the TPI increased by 14.9 per cent over the same period because it also takes account both of the decision not to increase personal income tax allowances in the 1981 Budget, and of the increases in employees' national insurance contributions in April 1981. The twelve month change in the TPI will remain ahead of that in the RPI at least until the next Budget.

Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between August and September the RPI rose by 0.6 per cent, but the TPI by 0.7 per cent. In any month, this differential may not equal the differential occurring in the corresponding month of the previous year; so the gap between the two twelve-month increases shown overleaf can vary a little even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1978/79, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(81)72

18 September 1981

TAX AND PRICE INDEX, AUGUST 1981

The Tax and Price Index (TPI) for August was 155.5 based on January 1978=100. Over the twelve months to August the increase in the TPI was 14.9 per cent, compared with an increase of 11.5 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6	153.5	17.4	14.9	21.0	11.3
July	134.9	154.2	18.5	14.3	16.9	10.9
August	135.3	155.5	17.8	14.9	16.3	11.5
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices. The RPI measures changes in retail prices; the TPI also takes account of the changes to direct taxes (including employees' national insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. In particular, the RPI increased by 11.5 per cent over the twelve months up to August 1981. But the TPI increased by 14.9 per cent over the same period because it also takes account both of the decision not to increase personal income tax allowances in the 1981 Budget, and of the increases in employees' national insurance contributions in April 1981. The twelve month change in the TPI will remain ahead of that in the RPI at least until the next Budget.

Relative movements of the TPI and RPI

4. At the time of a Budget the movement of the TPI relative to the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises slightly faster than the RPI (a more than proportionate increase in gross income being needed to offset any rise in prices, since all the extra income is fully taxed). Thus, between July and August the RPI rose by 0.7 per cent, but the TPI by 0.8 per cent. In any month, this differential may not equal the differential occurring in the corresponding month of the previous year; so the gap between the two twelve-month increases shown overleaf can vary a little even between Budgets. Nevertheless, it is the changes over twelve months which should be the focus of interest.

Coverage and calculation of the TPI

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were instead to reflect actual payments it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading.

7. The current composition and distribution of gross taxable incomes are estimated from Inland Revenue's Survey of Personal Incomes in 1978/79, updated by later aggregate data on incomes. Non-taxable income, in particular child benefit, is not covered. After excluding those with high incomes, the sample comprises 60,000 tax units (single people or married couples). The change in total tax liability resulting from any uniform increase in gross incomes can be estimated from this. So the change in gross income needed to offset a particular RPI increase can be found.

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CSO(81)48

19 June 1981

TAX AND PRICE INDEX, MAY 1981

The Tax and Price Index (TPI) for May was 152.4 based on January 1978=100. Over the twelve months to May the increase in the TPI was 15.3 per cent, compared with an increase of 11.7 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2	152.4	18.5	15.3	21.9	11.7
June	133.6		17.4		21.0	
July	134.9		18.5		16.9	
August	135.3		17.8		16.3	
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the change in gross taxable income needed to compensate for any change to retail prices. The RPI measures changes in retail prices (and hence in the purchasing power of after-tax incomes, and of the incomes of non-taxpayers); the TPI also takes account of the changes to direct taxes (including employees' national insurance contributions) facing a representative cross-section of taxpayers. It is thus an additional, more comprehensive, index.

3. In particular, the RPI increased by 11.7 per cent over the twelve months up to May 1981. But the TPI increased by 15.3 per cent over the same period because it also takes account of the decision not to increase personal income tax allowances in the 1981 Budget, and of the increases in employees' national insurance contributions in April 1981. The twelve month change in the TPI will remain ahead of that in the RPI at least until the next Budget.

Relative movement of the TPI and RPI

4. At the time of a Budget the relative movement of the TPI and the RPI depends on the changes made to direct taxes. Between Budgets the TPI normally rises faster than the RPI, since any increase in net income needed to offset a rise in prices requires a more than proportionate increase in gross income - all the extra income being subject to tax. In fact, because of rounding, both indices rose by 0.7 per cent between April and May. The difference between the two 12-month changes varies a little between Budgets because the size of this effect varies from year to year. But it is the changes over 12 months that should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI, or the associated indices for pensioner households, already provide a measure of the change needed to maintain the purchasing power of their incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using sample data from Inland Revenue's Survey of Personal Incomes in 1978/79, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 60,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 60,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements, which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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cc Mr Ingham

22 May 1981

Prime Minister

TAX AND PRICE INDEX, APRIL 1981

TPI is bad news at present. MAP 21/v

The Tax and Price Index (TPI) for April was 151.3 based on January 1978=100. Over the twelve months to April the increase in the TPI was 15.7 per cent, compared with an increase of 12.0 per cent in the Retail Prices Index. The difference between these two increases is due partly to the decision not to increase personal income tax allowances in the 1981 Budget and partly to increases in employees' National Insurance contributions.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.3	17.6	13.4	19.8	12.6
April	130.8	151.3	18.4	15.7	21.8	12.0
May	132.2		18.5		21.9	
June	133.6		17.4		21.0	
July	134.9		18.5		16.9	
August	135.3		17.8		16.3	
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Note to Editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends, and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' National Insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 12.0 per cent over the twelve months up to April 1981. But the TPI increased by 15.7 per cent over the same period because it also takes account of the decision not to increase personal income tax allowances in the 1981 Budget and of the increase in employees' National Insurance contributions in April 1981. The twelve-month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

4. The measures announced in the 1981 Budget have increased the TPI by about $3\frac{1}{2}$ per cent, compared with the value it would have taken had specific duties not been increased in excess of price movements, and had income tax allowances been revalorised.

Relative movement of the TPI and RPI

5. Between March and April the TPI increased by 4.9 per cent and the RPI by 2.9 per cent. The larger increase in the TPI mostly reflects the increase in employees' National Insurance contributions. But it is the change over twelve months which should be the main focus of interest.

Whom the TPI covers

6. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of taxpayers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

7. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1978/79, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 60,000 tax units (consisting of single persons or married couples) at different

levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 60,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

8. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

Mr T Lankester

This Press Notice was recalled, owing to a late revision to the RPI (and so to the TPI) Alterations have been made in manuscript as the revised Press Notice is not yet ready.

CABINET OFFICE

Central Statistical Office

With the compliments of

Jackie Morris.

15/4/81

MS

Great George Street, London SW1P 3AQ

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CSO(81)32

16 April 1981

TAX AND PRICE INDEX, MARCH 1981

The Tax and Price Index (TPI) for March was 144.~~2~~3 based on January 1978=100. Over the twelve months to March the increase in the TPI was 13.4 per cent compared with an increase of 12.~~5~~6 per cent in the Retail Prices Index (RPI). The March value of the TPI is not affected by the Budget proposals on income tax, nor by the latest increase in employees' National Insurance contributions. These will affect the TPI from the April value onwards.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2	144.~~2~~3	17.6	13.4	19.8	12.~~5~~6
April	130.8		18.4		21.8	
May	132.2		18.5		21.9	
June	133.6		17.4		21.0	
July	134.9		18.5		16.9	
August	135.3		17.8		16.3	
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 12.~~5~~6 per cent over the twelve months up to March 1981 (because of the early Budget this year some increases in duties are reflected in the March 1981 RPI; last year the first value affected was for April). But the TPI increased by 13.4 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions in April 1980.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between February and March 1981 the TPI rose by 1.~~6~~7 per cent and the RPI by 1.~~4~~5 per cent. When direct taxes change, the TPI will rise by less than or more than the RPI according to the type of change made. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1978/79, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 60,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 60,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI relfects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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20 March 1981

TL

TAX AND PRICE INDEX, FEBRUARY 1981

The Tax and Price Index (TPI) for February was 141.9 based on January 1978=100. Over the twelve months to February the increase in the TPI was 13.2 per cent compared with an increase of 12.5 per cent in the Retail Prices Index (RPI). The tax changes announced in the 1981 Budget do not appear in the February TPI.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3	141.9	16.9	13.2	19.1	12.5
March	127.2		17.6		19.8	
April	130.8		18.4		21.8	
May	132.2		18.5		21.9	
June	133.6		17.4		21.0	
July	134.9		18.5		16.9	
August	135.3		17.8		16.3	
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 12.5 per cent over the twelve months up to February 1981. But the TPI increased by 13.2 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions in April 1980.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between January and February 1981 the TPI rose by 1.1 per cent and the RPI by 0.9 per cent. When direct taxes change, the TPI will rise by less than or more than the RPI according to the type of change made. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £13,750 a year at January 1981 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1978/79, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 60,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 60,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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13 February 1981

TAX AND PRICE INDEX, JANUARY 1981

The Tax and Price Index (TPI) for January was 140.4 based on January 1978=100. Over the twelve months to January the increase in the TPI was 14.0 per cent compared with an increase of 13.0 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1980	1981	1980	1981	1980	1981
January	123.2	140.4	16.1	14.0	18.4	13.0
February	125.3		16.9		19.1	
March	127.2		17.6		19.8	
April	130.8		18.4		21.8	
May	132.2		18.5		21.9	
June	133.6		17.4		21.0	
July	134.9		18.5		16.9	
August	135.3		17.8		16.3	
September	136.3		17.3		15.9	
October	137.3		16.8		15.4	
November	138.5		16.6		15.3	
December	139.4		16.4		15.1	

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 13.0 per cent over the twelve months up to January 1981. But the TPI increased by 14.0 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions in April 1980. The twelve month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between December 1980 and January 1981 the TPI rose by 0.7 per cent and the RPI by 0.6 per cent. At the time of the Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(81)4

PERSONAL AND CONFIDENTIAL until release of Press Notice at .30 .m. on 16 JAN 1981 and thereafter unclassified.

16 January 1981

R.

TAX AND PRICE INDEX, DECEMBER 1980

The Tax and Price Index (TPI) for December was 139.4 based on January 1978=100. Over the twelve months to December the increase in the TPI was 16.4 per cent compared with an increase of 15.1 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9	135.3	13.4	17.8	15.8	16.3
September	116.2	136.3	14.1	17.3	16.5	15.9
October	117.6	137.3	14.8	16.8	17.2	15.4
November	118.8	138.5	15.1	16.6	17.4	15.3
December	119.8	139.4	14.9	16.4	17.2	15.1

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 15.1 per cent over the twelve months up to December 1980. But the TPI increased by 16.4 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions in April 1980. The twelve month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between November and December 1980 the TPI rose by 0.6 per cent and the RPI by 0.5 per cent. At the time of the Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

<u>Tax liabilities or actual payments</u>

7. The TPI reflects changes in people's tax <u>liabilities</u>. If the index were to reflect actual <u>payments</u> rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80)107

19 December 1980

PERSONAL AND CONFIDENTIAL until release of Press Notice at 11.30 .m. on 19.12.80 and thereafter unclassified.

TAX AND PRICE INDEX, NOVEMBER 1980

The Tax and Price Index (TPI) for November was 138.5 based on January 1978=100. Over the twelve months to November the increase in the TPI was 16.6 per cent compared with an increase of 15.3 per cent in the Retail Prices Index (RPI). The effect of the increase in employees' National Insurance contributions announced by the Chancellor of the Exchequer on 24 November 1980 will not appear in the TPI until the index for April 1981 is estimated.

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9	135.3	13.4	17.8	15.8	16.3
September	116.2	136.3	14.1	17.3	16.5	15.9
October	117.6	137.3	14.8	16.8	17.2	15.4
November	118.8	138.5	15.1	16.6	17.4	15.3
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 15.3 per cent over the twelve months up to November 1980. But the TPI increased by 16.6 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions. The twelve month change in the TPI will remain ahead of that in the TPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between October and November 1980 the TPI rose by 0.9 per cent and the RPI by 0.8 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80)93

14 November 1980

TAX AND PRICE INDEX, OCTOBER 1980

The Tax and Price Index (TPI) for October was 137.3 based on January 1978=100. Over the twelve months to October the increase in the TPI was 16.8 per cent compared with an increase of 15.4 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9	135.3	13.4	17.8	15.8	16.3
September	116.2	136.3	14.1	17.3	16.5	15.9
October	117.6	137.3	14.8	16.8	17.2	15.4
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 15.4 per cent over the twelve months up to October 1980. But the TPI increased by 16.8 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions. The twelve month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between September and October 1980 the TPI rose by 0.7 per cent and the RPI by 0.6 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80)86

2

17 October 1980

PRIME MINISTER

MS 17/9

TAX AND PRICE INDEX, SEPTEMBER 1980

The Tax and Price Index (TPI) for September was 136.3 based on January 1978=100. Over the twleve months to September the increase in the TPI was 17.3 per cent compared with an increase of 15.9 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9	135.3	13.4	17.8	15.8	16.3
September	116.2	136.3	14.1	17.3	16.5	15.9
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is now published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 15.9 per cent over the twelve months up to September 1980. But the TPI increased by 17.3 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions. The twelve month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between August and September 1980 the TPI rose by 0.7 per cent and the RPI by 0.6 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80) 74

12 September 1980

PERSONAL AND CONFIDENTIAL until release of Press Notice at 11 30 m. on 12 SEP 1980 and thereafter unclassified.

TAX AND PRICE INDEX, AUGUST 1980

The Tax and Price Index (TPI) for August was 135.3 based on January 1978=100. Over the twelve months to August the increase in the TPI was 17.8 per cent compared with an increase of 16.3 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9	135.3	13.4	17.8	15.8	16.3
September	116.2		14.1		16.5	
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is now published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including employees' national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. In particular, the RPI increased by 16.3 per cent over the twelve months up to August 1980. But the TPI increased by 17.8 per cent over the same period because it also takes account of the abolition of the lower rate band of income tax in the 1980 Budget and of the increase in the rate of employees' national insurance contributions. The twelve month change in the TPI will remain ahead of that in the RPI until at least the next Budget.

Relative movement of the TPI and RPI

4. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between July and August 1980 the TPI rose by 0.3 per cent and the RPI by 0.2 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

5. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (on top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

6. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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15 August 1980

2

PRIME MINISTER

MS

14/8

TAX AND PRICE INDEX, JULY 1980

The Tax and Price Index (TPI) for July was 134.9 based on January 1978=100. Over the twelve months to July the increase in the TPI was 18.5 per cent compared with an increase of 16.9 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (Jan 1978=100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6*	17.6*	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8	134.9	13.2	18.5	15.6	16.9
August	114.9		13.4		15.8	
September	116.2		14.1		16.5	
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is now published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The TPI measures the combined effects of changes in direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms. It is thus an additional, more comprehensive index.

3. The increase in the RPI over the twelve months to July 1980 was 16.9 per cent, compared with the twelve-month change of 21.0 per cent up to June 1980. This drop occurs because the twelve-month change no longer contains the large monthly increase in July last year resulting mainly from the increases in VAT and other indirect taxes in the June 1979 Budget.

4. The increase of 18.5 per cent in the TPI over the twelve months up to July 1980 is greater than the twelve-month increase of 17.4 per cent up to June. The reason for this is that from July 1980 the reductions in income tax in the 1979 Budget, which were first included in the TPI for July 1979, are no longer reflected in the change calculated over twelve months.

5. The twelve-month change of 18.5 per cent in the TPI up to July now exceeds the corresponding change in the RPI because, although income tax allowances were indexed in the 1980 Budget, the lower rate band was abolished. Also, national insurance contributions have been increased. Thus, taxpayers' gross incomes would have to grow faster, 18.5 per cent, than prices, 16.9 per cent, over the twelve months up to July 1980 to buy the same goods and services. The twelve-month change in the TPI will remain ahead of that in the RPI until at least the next budget.

Relative movement of the TPI and RPI

6. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. Thus, between June and July 1980 the TPI rose by 1.0 per cent and the RPI by 0.8 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

7. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of tax-payers, and because broadly the same percentage (the top 4 per cent) is already excluded from the

households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

8. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

9. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80)58
18 July 1980

R

TAX AND PRICE INDEX, JUNE 1980

The Tax and Price Index (TPI) for June was 133.6 based on January 1978=100. Over the twelve months to June the increase in the TPI was 17.4 per cent compared with an increase of 21.0 per cent in the Retail Prices Index (RPI)

TAX AND PRICE INDEX

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8	133.6	13.8*	17.4*	11.4	21.0
July	113.8		13.2		15.6	
August	114.9		13.4		15.8	
September	116.2		14.1		16.5	
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

*These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is now published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The purpose of the TPI is to produce a single index which measures the combined effects of changes in direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms.

3. In particular, the RPI increased by 21.0 per cent over the twelve months to June 1980. This reflects increases in Value Added Tax and other indirect taxes in the 1979 Budget (which was presented in June) and increases in indirect taxes in the 1980 Budget. But the TPI increased by only 17.4 per cent over the same period because it also takes account of the reductions in income tax in these Budgets. The TPI is an additional, more comprehensive index.

4. The gap between these two percentage changes has widened since March. This is mainly because the income tax changes in the 1980 Budget are included in the TPI from April 1980, while the late timing of the 1979 Budget means that in 1979 no income tax reductions were incorporated into the TPI until July. If the increases in tax allowances in the 1979 caretaker budget were included in the TPI for June 1979 (an alternative postulated in the August 1979 Economic Trends article), its value would be 112.1 instead of 113.8, and the increase over the twelve months to June 1980 would be 19.2 per cent.

Relative movement of the TPI and RPI

5. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. For example the RPI rose by 0.9 per cent between May and June 1980 and the TPI by 1.1 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

6. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of taxpayers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

7. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

8. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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CSO(80)48

13 June 1980

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TAX AND PRICE INDEX, MAY 1980

The Tax and Price Index (TPI) for May was 132.2 based on January 1978=100. Over the twelve months to May the increase in the TPI was 18.5 per cent compared with an increase of 21.9 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5	130.8	12.3*	18.4*	10.1	21.8
May	111.6	132.2	12.7*	18.5*	10.3	21.9
June	113.8		13.8*		11.4	
July	113.8		13.2		15.6	
August	114.9		13.4		15.8	
September	116.2		14.1		16.5	
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

* These figures are affected by the late timing of the 1979 Budget; the changes introduced by that Budget are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and the series from January 1974 is now published regularly in the Monthly Digest of Statistics.

What the TPI measures

2. The purpose of the TPI is to produce a single index which measures the combined effects of changes in direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The TPI measures the change in gross taxable income which would maintain after-tax income in real terms.

3. In particular, the RPI increased by 21.9 per cent over the twelve months to May 1980. This reflects increases in Value Added Tax and other indirect taxes in the 1979 Budget (which was presented in June) and increases in indirect taxes in the 1980 Budget. But the TPI increased by only 18.5 per cent over the same period because it also takes account of the reductions in income tax in these Budgets. The TPI is an additional, more comprehensive index.

4. The gap between these two percentage changes has widened since March. This is mainly because the income tax changes in the 1980 Budget are included in the TPI from April 1980, while the late timing of the 1979 Budget means that in 1979 no income tax reductions were incorporated into the TPI until July. If the increases in tax allowances in the 1979 caretaker budget were included in the TPI for May 1979 (an alternative postulated in the August 1979 Economic Trends article), its value would be 109.8 instead of 111.6, and the increase over the twelve months to May 1980 would be 20.4 per cent.

Relative movement of the TPI and RPI

5. Between Budgets the TPI will rise more than the RPI because the extra gross income needed to offset the rise in prices is taxed at full marginal rates. For example the RPI rose by 0.9 per cent between April and May 1980 and the TPI by 1.1 per cent. At the time of a Budget the TPI will rise less than the RPI as the tax allowances are increased. But it is the change over twelve months which should be the focus of interest.

Whom the TPI covers

6. Non-taxpayers and those with incomes over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the change which would maintain the purchasing power of both net and gross incomes. Those with high incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liabilities are not necessarily representative of the majority of taxpayers, and because broadly the same percentage (the top 4 per cent) is already excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included, whether working or retired, so long as they pay tax.

7. The index is calculated by adjusting the RPI using data collected in the sample of tax records in the Inland Revenue's Survey of Personal Incomes in 1977/78, updated to take account of increases in the various forms of taxable income. After excluding those with high incomes, the sample comprises 80,000 tax units (consisting of single persons or married couples) at different levels of income and in different tax circumstances. The gross income used for the index is the updated taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income. Non-taxable income, in particular child benefit, is excluded.

Tax liabilities or actual payments

8. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be difficult to interpret and could be misleading. The choice of tax liabilities corresponds to the principle behind the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills on the new rates are rendered some months later.

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— 2.

Subject filed on Statistics May 79 : R.P.I.

D1/1 & D1/18

Thursday on [illegible]

Prime Minister.

This came up at this morning's media meeting, you will recall.

[illegible]

19 v.

MR WHITMORE

cc Mr Boreham
Mr Forecast
Mr Wright

RPI AND TPI

1. You asked this morning when the RPI and TPI will cross over. This will happen in July. The figures will be published in mid-August. The TPI will then exceed the RPI (comparing the percentage changes over 12 months) by about two points at least until the next Budget.

2. Roughly 1½ points of the TPI excess over the RPI from July onwards will be due to income tax changes and the remaining ½ point to increased National Insurance contributions.

J Lane

J LANE

16 May 1980
(Ext 6043)

Central Statistical Office

[illegible]

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2

PRIME MINISTER

To cc MJ

TAX AND PRICE INDEX, MARCH 1980

The Tax and Price Index (TPI) for March was 127.2 based on January 1978=100. Over the twelve months to March the increase in the TPI is 17.6 per cent compared with an increase of 19.8 per cent in the Retail Prices Index (RPI). The March figures are not affected by the measures announced in the Budget. For both the RPI and the TPI, these measures will first be reflected in the April figures.

TAX AND PRICE INDEX

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months		Corresponding change in RPI	
	1979	1980	1979	1980	1979	1980
January	106.1	123.2	6.1	16.1	9.3	18.4
February	107.2	125.3	6.5	16.9	9.6	19.1
March	108.2	127.2	6.6	17.6	9.8	19.8
April	110.5		12.3*		10.1	
May	111.6		12.7*		10.3	
June	113.8		13.8*		11.4	
July	113.8		13.2		15.6	
August	114.9		13.4		15.8	
September	116.2		14.1		16.5	
October	117.6		14.8		17.2	
November	118.8		15.1		17.4	
December	119.8		14.9		17.2	

* These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the 1979 Budget changes which are included from July 1979.

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August 1979 issue of Economic Trends and in the September Economic Progress Report published by the Treasury. The series from January 1974 to November 1979 was published in the monthly Digest of Statistics for December. A short account comparing movements in that series with those in the RPI and in the index of average earnings appeared in the Treasury's January 1980 Economic Progress Report.

2. The purpose is to produce a single index which measures changes in both direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The index measures the change in gross taxable income which would maintain after-tax income in real terms.

3. The change over twelve months in the March Retail Prices Index, which measures changes in the prices paid by households for the goods and services they buy, reflects the price increases resulting from increases in Value Added Tax and other indirect taxes in the June 1979 Budget(as the reference day for March 1980 is 18 March, it is not affected by the Budget announcements of 26 March). The RPI does not reflect the corresponding or offsetting changes in income tax in the June 1979 Budget. The Tax and Price Index is an additional, more comprehensive index.

4. Movements in the TPI show the effects on taxpayers' costs of both inflation and inflationary fiscal drag, and changes in tax rates and thresholds. Budget changes usually occur once a year. So movements over periods of twelve months should be the main interest since they will normally include the combined effects of the Budget changes and movements in the general price level. However the timing of Budgets may affect the most useful period over which to make comparisons.

5. Between Budgets the TPI will rise more than the RPI because of inflationary fiscal drag, ie the extra income which would offset the loss in spending power as a result of the rise in prices is assumed in the index to be taxed at full marginal rates. This explains why the increase in the TPI in March over February is 1.5 per cent compared with an increase of 1.4 per cent in the RPI. But, as mentioned in the previous paragraph, it is the change over twelve months which should be the focus of interest.

6. Non-taxpayers and income groups earning over £12,000 a year at January 1980 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the changes which would maintain the purchasing power of both net and gross incomes. Higher incomes (though not all higher rate taxpayers in some of the earlier years) are excluded because the changes in their tax liability are not necessarily representative of the majority of taxpayers, and because they are excluded in broadly the same percentage terms (the top 4 per cent) from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included whether working or retired so long as they pay tax.

7. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be very difficult to interpret and could be misleading. The principle behind the choice of tax liabilities is already reflected in the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them, not when the bills or the new rates are rendered some three months later.

8. The index is a composite index based on data collected in a sample of tax records selected in the Inland Revenue's Survey of Personal Incomes in 1977/78. After the exclusion of the higher-incomes groups the sample comprises 80,000 tax units at different levels of income and in different tax circumstances. The gross income used in the index is the taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income; non-taxable income, in particular child benefit, is excluded.

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14 December 1979

R.

TAX AND PRICE INDEX, NOVEMBER 1979
AND FULL SERIES FROM JANUARY 1974

The Tax and Price Index (TPI) for November was 118.8, based on January 1978=100. Over the twelve months to November the increase in the TPI is 15.1 per cent compared with an increase of 17.4 per cent in the Retail Prices Index (RPI).

Figures for the TPI from January 1974 to December 1977 are also published today for the first time. The full series to date for the TPI, together with the year-on-year percentage changes in the TPI and RPI, are given overleaf.

Over the whole period January 1974 to November 1979, the TPI and the RPI have increased by almost exactly the same amount, about 137 per cent. In the period January 1974 to March 1977, the TPI increased by 94 per cent compared with 76 per cent in the RPI. From April 1977, the position has been reversed; the TPI rose by 23 per cent compared with 32 per cent in the RPI.

Tax and Price Index (TPI) January 1978=100

	1974	1975	1976	1977	1978	1979
Jan	50.2	63.0	80.4	95.3	100	106.1
Feb	51.2	64.3	81.6	96.4	100.7	107.2
March	51.7	65.8	82.2	97.5	101.5	108.2
April	54.3	68.5	82.9	96.4	98.4	110.5
May	55.2	71.9	84.0	97.3	99.1	111.6
June	55.9	73.5	84.5	98.5	100.0	113.8
July	56.5	74.4	84.7	98.6	100.5	113.8
Aug	56.8	74.9	86.1	99.2	101.3	114.9
Sept	57.6	75.7	87.5	99.9	101.8	116.2
Oct	58.9	77.0	89.4	100.4	102.4	117.6
Nov	60.1	78.0	90.9	98.7	103.2	118.8
Dec	61.2	79.2	92.4	99.3	104.3	

TPI - % CHANGES ON ONE YEAR EARLIER

	1975	1976	1977	1978	1979
Jan	25.5	27.6	18.5	4.9	6.1
Feb	25.6	26.9	18.1	4.5	6.5
March	27.3	24.9	18.6	4.1	6.6
April	26.2	21.0	16.3	2.1	12.3*
May	30.3	16.8	15.8	1.8	12.7*
June	31.5	15.0	16.6	1.5	13.8*
July	31.7	13.8	16.4	1.9	13.2
Aug	31.9	15.0	15.2	2.1	13.4
Sept	31.4	15.6	14.2	1.9	14.1
Oct	30.7	16.1	12.3	2.0	14.8
Nov	29.8	16.5	8.6	4.6	15.1
Dec	29.4	16.7	7.5	5.0	

RPI - % CHANGES ON ONE YEAR EARLIER

	1975	1976	1977	1978	1979
Jan	19.9	23.4	16.6	9.9	9.3
Feb	19.9	22.9	16.2	9.5	9.6
March	21.2	21.2	16.7	9.1	9.8
April	21.7	18.9	17.5	7.9	10.1
May	25.0	15.4	17.1	7.7	10.3
June	26.1	13.8	17.7	7.4	11.4
July	26.3	12.9	17.6	7.8	15.6
Aug	26.9	13.8	16.5	8.0	15.8
Sept	26.6	14.3	15.6	7.8	16.5
Oct	25.9	14.7	14.1	7.8	17.2
Nov	25.2	15.0	13.0	8.1	17.4
Dec	24.9	15.1	12.1	8.4	

*These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the 1979 Budget changes which are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August issue of Economic Trends and in the September Economic Progress Report published by the Treasury. That methodology used also to calculate the earlier figures. The purpose is to produce a single index which measures changes in both direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The index measures the change in gross taxable income which would maintain after-tax income in real terms.

2. The year-on-year change in the November Retail Prices Index, which measures changes in the prices paid by household for the goods and services they buy, reflects the price increase resulting from increases in Value Added Tax and other indirect taxes in the last Budget. But the RPI does not reflect the corresponding or offsetting changes in income tax in that Budget. The Tax and Price Index is an additional, more comprehensive index.

3. Movements in the TPI show the effects on taxpayers' costs of both inflation and inflationary fiscal drag, and changes in tax rates and thresholds. Budget changes usually occur once a year. So movements over periods of twelve months should be the main interest since they will normally include the combined effects of the Budget changes and movements in the general price level. However the timing of budgets may affect the most useful period over which to make comparisons.

4. Between Budgets the TPI will rise more than the RPI because of inflationary fiscal drag, ie the extra income which would offset the loss in spending power as a result of the rise in prices is assumed in the index to be taxed at full marginal rates. This explains why the increase in the TPI in November over October is 1.0 per cent compared with an increase of 0.9 per cent in the RPI. But, as mentioned in the previous paragraph, it is the year-on-year change which should be the focus of interest.

5. Non-taxpayers and income groups earning over £10,000 a year at January 1979 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the changes which would maintain the purchasing power of both net and gross incomes. Higher incomes (though not all higher rate taxpayers in some of tax earlier years) are excluded because the changes in their tax liability are not necessarily representative of the majority of taxpayers, and because they are excluded in broadly the same percentage terms (the top 4 per cent) from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included whether working or retired so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be very difficult to interpret and could be misleading. The principle behind the choice of tax liabilities is already reflected in the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people

begin to incur them, not when the bills or the new rates are rendered some three months later. Thus the reduction in the basic rate of income tax announced in the June Budget is reflected in the TPI from July onwards rather than in October when refunds will be paid.

7. The index is a composite index based on data collected in a sample of tax records selected in the Inland Revenue's Survey of Personal Incomes. After the exclusion of the higher-incomes groups the sample comprises 80,000 tax units at different levels of income and in different tax circumstances. The gross income used in the index is the taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income; non-taxable income, in particular child benefit, is excluded.

CONFIDENTIAL

1. ~~Mr Saunders~~ MS

2. p.a. Statistics

TL 13/12

Treasury Chambers, Parliament Street, SW1P 3AG

13 December 1979

T P Lankester Esq
10 Downing Street
LONDON
SW1

Dear Tim,

The Inland Revenue have now completed their calculations of the TPI back to January 1974. I enclose a copy of the relevant section of the press notice on the RPI and the TPI which it is proposed to issue tomorrow.

The main features of the figures are as follows:

a. Over the whole period January 1974 to November 1979 the TPI and the RPI have increased by almost exactly the same amount, about 135%, If we take the period covered by the last Labour Government (February 1974 to March 1979, the TPI also increased by broadly the same percentage as the RPI.

b. There are two sub-periods which display different characteristics. Between January 1974 and March 1977 real tax rates were increased and the TPI rose much more rapidly than the RPI (by 95% as against 76%). In the months immediately following the 1975 Budget, the year on year increase in the TPI exceeded that of the RPI by 5-6 percentage points.

c. From April 1977 onwards, by contrast, a succession of budgets have reduced real tax rates. Over this period the TPI has risen by 23 per cent as compared with an increase of 32 per cent in the RPI. Between April and October 1978 the year on year increase in the TPI fell to about 2 per cent or less, against a corresponding increase in the RPI ranging from about 7½ to 8%.

d. Between budgets the TPI tends to move up rather faster than the RPI, by a factor of about 1.1 to 1.2.

I am copying this letter to Peter Unwin in Mr Boreham's office, and to Tony Battishill here.

Yours sincerely
Stephen Locke.

S A J LOCKE
13 December 1979

TPI BACK SERIES

DRAFT PARAGRAPHS FOR DECEMBER TPI PRESS NOTICE

"The figures for the TPI from January 1974 to December 1977 are also published to-day for the first time. The full series to date for the TPI and the RPI, together with year-on-year changes, are as follows:

(figures attached)

Over the whole period January 1974 to November 1979, the TPI and the RPI have increased by almost exactly the same amount, about (135)* per cent. In the period January 1974 to March 1977, the TPI increased by 94 per cent compared with 76 per cent in the RPI. From April 1977, the position has been reversed; the TPI rose by (22) per cent compared with (31)* per cent in the RPI.

---

* (For the purpose of this draft, October 1979 figures are used. They will be replaced when the November figures become available.)

TPI - 1978 = 100

	1974	1975	1976	1977	1978	1979
Jan	50.2	63.0	80.4	95.3	100	106.1
Feb	51.2	64.3	81.6	96.4	100.7	107.2
March	51.7	65.8	82.2	97.5	101.5	108.2
April	54.3	68.5	82.9	96.4	98.4	110.5
May	55.2	71.9	84.0	97.3	99.1	111.6
June	55.9	73.5	84.5	98.5	100.0	113.8
July	56.5	74.4	84.7	98.6	100.5	113.8
Aug	56.8	74.9	86.1	99.2	101.3	114.9
Sept	57.6	75.7	87.5	99.9	101.8	116.2
Oct	58.9	77.0	89.4	100.4	102.4	
Nov	60.1	78.0	90.9	98.7	103.2	
Dec	61.2	79.2	92.4	99.3	104.3	

TPI - % CHANGES ON ONE YEAR EARLIER

	1974	1975	1976	1977	1978	1979
Jan		25.5	27.6	18.5	4.9	6.1
Feb		25.6	26.9	18.1	4.5	6.5
March		27.3	24.9	18.6	4.1	6.6
April		26.2	21.0	16.3	2.1	12.3
May		30.3	16.8	15.8	1.8	12.6
June		31.5	15.0	16.6	1.5	13.8
July		31.7	13.8	16.4	1.9	13.2
Aug		31.9	15.0	15.2	2.1	13.4
Sept		31.4	15.6	14.2	1.9	14.1
Oct		30.7	16.1	12.3	2.0	
Nov		29.8	16.5	8.6	4.6	
Dec		29.4	16.7	7.5	5.0	

RPI - % CHANGES ON ONE YEAR EARLIER

	1974	1975	1976	1977	1978	1979
Jan		19.9	23.4	16.6	9.9	9.3
Feb		19.9	22.7	16.2	9.5	9.6
Mar		21.1	21.2	16.7	9.1	9.8
Apr		21.7	18.9	17.5	7.9	10.1
May		25.0	15.4	17.1	7.7	10.3
June		26.1	13.8	17.7	7.4	11.4
July		26.3	12.9	17.6	7.8	15.6
Aug		26.9	13.8	16.7	7.8	15.8
Sept		26.6	14.3	15.6	7.8	16.5
Oct		25.9	14.7	14.1	7.8	17.2
Nov		25.2	15.0	13.0	8.1	
Dec		24.9	15.1	12.1	8.4	

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CSO(79)91

16 November 1979

R..

TAX AND PRICE INDEX, OCTOBER 1979

The Tax and Price Index (TPI) for October was 117.6, based on January 1978=100. Over the twelve months to October the increase in the TPI is 14.8 per cent compared with an increase of 17.2 per cent in the Retail Prices Index (RPI).

TAX AND PRICE INDEX: CHANGES TO OCTOBER 1979

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months	Corresponding change in RPI
	1978	1979	1979	1979
January	100.0	106.1	6.1	9.3
February	100.7	107.2	6.5	9.6
March	101.5	108.2	6.6	9.8
April	98.4	110.5	12.3*	10.1
May	99.0	111.6	12.7*	10.3
June	100.0	113.8	13.8*	11.4
July	100.5	113.8	13.2	15.6
August	101.3	114.9	13.4	15.8
September	101.8	116.2	14.1	16.5
October	102.4	117.6	14.8	17.2
November	103.2			
December	104.3			

*These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the 1979 Budget changes which are included from July 1979.

prepared by the Government Statistical Service

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August issue of Economic Trends and in the September Economic Progress Report published by the Treasury. The purpose is to produce a single index which measures changes in both direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The index measures the change in gross taxable income which would maintain after-tax income in real terms.

October

2. The year-on-year change in the October Retail Prices Index, which measures changes in the prices paid by household for the goods and services they buy, reflects the price increase resulting from increases in Value Added Tax and other indirect taxes in the last Budget. But the RPI does not reflect the corresponding or offsetting changes in income tax in that Budget. The Tax and Price Index is an additional, more comprehensive index.

3. Movements in the TPI show the effects on taxpayers' costs of both inflation and inflationary fiscal drag, and changes in tax rates and thresholds. Budget changes usually occur once a year. So movements over periods of twelve months should be the main interest since they will normally include the combined effects of the Budget changes and movements in the general price level. However the timing of budgets may affect the most useful period over which to make comparisons.

4. Between Budgets the TPI will rise more than the RPI because of inflationary fiscal drag, ie the extra income which would offset the loss in spending power as a result of the rise in prices is assumed in the index to be taxed at full marginal rates. This explains why the increase in the TPI in October over September is 1.2 per cent compared with an increase of 1.0 per cent in the RPI. But, as mentioned in the previous paragraph, it is the year-on-year change which should be the focus of interest.

5. Non-taxpayers and income groups earning over £10,000 a year at January 1979 are excluded from the TPI. Non-taxpayers are excluded because the RPI or the associated indices for pensioner households already provide a measure of the changes which would maintain the purchasing power of both net and gross incomes. Higher incomes are excluded because the changes in their tax liability are not necessarily representative of the majority of taxpayers, and because they are excluded in broadly the same percentage terms (the top 4 per cent), from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included whether working or retired so long as they pay tax.

6. The TPI reflects changes in people's tax liabilities. If the index were to reflect actual payments rather than liabilities it would be subject to highly erratic movements which would be very difficult to interpret and could be misleading. The principle behind the choice of tax liabilities is already reflected in the RPI, which measures the prices people face. For example, electricity price increases are incorporated in the RPI when people begin to incur them , not when the bills or the new rates are rendered some three

months later. Thus the reduction in the basic rate of income tax announced in the June Budget is reflected in the TPI from July onwards rather than in October when refunds will be paid.

7. The index is a composite index based on data collected in a sample of tax records selected in the Inland Revenue's Survey of Personal Incomes. After the exclusion of the higher-incomes groups the sample comprises 80,000 tax units at different levels of income and in different tax circumstances. The gross income used in the index is the taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income; non-taxable income, in particular child benefit, is excluded.

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14 September 1979

TAX AND PRICE INDEX, AUGUST 1979

Continuing the monthly series which was first published on 17 August last, the Central Statistical Office has today released the Tax and Price Index (TPI) for August; it is 114.9, based on January 1978 = 100.

Over the twelve months to August the TPI rose by 13.4 per cent compared with an increase of 15.8 per cent in the Retail Prices Index (RPI), the difference reflecting the switch from income tax to indirect taxes in the last Budget.

TAX AND PRICE INDEX: CHANGES TO AUGUST 1979

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months	Corresponding change in RPI
	1978	1979	1979	1979
January	100.0	106.1	6.1	9.3
February	100.7	107.2	6.5	9.6
March	101.5	108.2	6.6	9.8
April	98.4	110.5	12.3*	10.1
May	99.0	111.6	12.7*	10.3
June	100.0	113.8	13.8*	11.4
July	100.5	113.8	13.2	15.6
August	101.3	114.9	13.4	15.8
September	101.8			
October	102.4			
November	103.2			
December	104.3			

*These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the 1979 Budget changes which are included from July 1979.

Notes to editors

1. The purpose and methodology of the TPI were described in an article in the August issue of Economic Trends. The purpose is that of producing a single index which would measure changes in both direct taxes (including national insurance contributions) and in retail prices for a representative cross-section of taxpayers. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income (and of the income of non-taxpayers), the TPI also takes account of the fact that taxpayers will have more or less to spend according to changes in direct taxation. The index measures the change in gross taxable income which would maintain after-tax income in real terms.

2. The year-on-year change in the August Retail Prices Index, which measures changes in the prices paid by households for the goods and services they buy, reflects the price increase resulting from increases in Value Added Tax and other indirect taxes in the last Budget. But the RPI does not reflect the corresponding or offsetting changes in income tax in that Budget. The Tax and Price Index is an additional, more comprehensive index.

3. Movements in the TPI show the effects on taxpayers' costs of both inflation and inflationary fiscal drag, and changes in tax rates and thresholds. Because Budget changes usually occur once a year, movements over periods of twelve months should be the main interest since they will normally include the combined effects of Budget changes and movements in the general price level, but the timing of Budgets may affect the most useful period over which to make comparisons.

4. The TPI will rise more than the RPI because of inflationary fiscal drag, ie the extra income which would offset the loss in spending power as a result of the rise in prices is assumed in the index to be taxed at full marginal rates. This explains why the increase in the TPI in August over July is 1 per cent compared with an increase of 0.8 per cent in the RPI. But, as mentioned in the previous paragraph, it is the year-on-year change which should be the focus of interest.

5. Non-taxpayers are excluded from the coverage of the TPI, as are higher income groups - those over £10,000 a year at January 1979. It is inappropriate to include non-taxpayers, for whom the RPI or the associated indices for pensioner households already provide a measure of the changes which would maintain the purchasing power of both net and gross incomes. Those on higher incomes are excluded because the changes in tax liability for these groups are not necessarily representative of those for the majority of taxpayers, and because they are, in broadly the same percentage terms (the top 4 per cent), also excluded from the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included whether working or retired so long as he or she pays tax.

6. The TPI reflects changes in people's tax liabilities; if the index were to reflect actual payments rather than liabilities, it would be subject to highly erratic movements which would be very difficult to interpret and could be misleading. The principle behind the choice of tax liabilities is already reflected in the RPI, which measures the prices people face; for example, when electricity prices are increased, the RPI incorporates these when people begin to incur them and not when the bills or the new rates are rendered some three months later. Thus the reduction in the basic rate of income tax announced in the June Budget is reflected in the TPI from July onwards rather than in October when refunds will be paid.

7. The index is a composite index based on data collected in a sample of tax records selected in the Inland Revenue's Survey of Personal Incomes. After the exclusion of higher-income groups, the sample comprises 80,000 tax units at different levels of income and in different tax circumstances. The gross income used in the index is the taxable income of these 80,000 tax units, ie their pay, self-employment income, pensions and investment income; non-taxable income, in particular child benefit, is excluded.

8. The press notice on the Retail Prices Index for August is issued today by the Department of Employment.

Statistics

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Health and
Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1

ABM
PL
12/9

11 September 1979

Dear Patrick

TAX AND PRICE INDEX

I am sure it is right to consider carefully which price index is appropriate for Social Security upratings.

The pensioner indices for July (which are not published monthly, but only as quarterly averages) show the two person pensioner index increasing on a year earlier by 12.9 per cent and the one person pensioner index by 12.3 per cent, compared with the increases for the RPI of 15.6 per cent. The smaller increases for pensioners reflect the larger proportion of their expenditure on goods and services not subject to VAT, particularly food and fuel. The pensioner indices of course relate to low income pensioner households, that is households where at least three quarters of the income comes from national retirement pensions and other social security benefits. Such households account for about one-half of all pensioner households.

This difference is of course exceptional. Over the five and a half years between January 1974 and June 1979 the RPI increased by 15.6 per cent a year compared with 16.0 per cent and 15.9 per cent for the one and two person pensioner indices respectively. Over the previous 12 years, January 1962 to January 1974, when inflation was generally less rapid, the RPI increased by 5.6 per cent a year compared with 5.8 per cent for each of the pensioner indices. Over the longer term the experience has been for the pensioner indices to increase at a slightly faster rate than the RPI, but with quite marked fluctuations in individual years, depending especially on food prices.

The pensioner indices, unlike the RPI, do not cover housing, because of the difficulty of obtaining separate information on housing costs relating to pensioner households. Because the housing costs of low

SECRETARY OF STATE FOR EMPLOYMENT

income households have benefited over the years from government help they will have risen less fast than housing costs overall and this will have been an offset to the slightly faster rise shown by the pensioner indices for expenditure excluding housing.

As you say, there is the need to safeguard confidence in the RPI. The adoption of the pensioner indices for uprating purposes at a time when, exceptionally, they were showing much smaller increases than the RPI would have obvious dangers.

I am copying this letter to members of E Committee and to Sir John Hunt.

Yours ever

Jim

11 SEP 1979

Stats

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

ABM

The Rt Hon Sir Keith Joseph BT MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1

29 August 1979

Dear Keith,

TAX AND PRICE INDEX

As Peter Walker has pointed out, the peculiarity of the situation at the moment is that there has been a sharp increase in VAT, which does not affect many of the things bought by a low income household (though it does affect some basic commodities), as well as a significant reduction in direct taxation, which low income households do not pay. Food prices are, of course, subject to pressures - seasonal or general - other than VAT; but the main point is that the special circumstances of this year's uprating do not provide a valid guide to the relationship between the RPI and the living standards of social security beneficiaries.

There is, as you may recall, a Pensioners Price Index, published by the Department of Employment, which I would think is the sort of index you have in mind as a substitute for, or supplement to, the Retail Price Index. We do refer to the Pensioners Price Index - and it is worth noting that the married and single person Pensioners Price Indices move closely in line with the general index - but for practical purposes the RPI is the main measure and we believe that it should remain so. The RPI has a wider basis that the PPI and commands general acceptance and support (Len Murray's letter is confirmation of this). We regard it as vital, not least for financial and operational reasons, that the Secretary of State should not be open to challenge in the Courts that he had not complied with his statutory duty. A move away from the RPI would certainly provoke such a challenge from one of our many pressure groups unless the alternative index was clearly more reliable and relevant.

The danger of this may increase next year when we shall have changed the legislation so that Social Security upratings of both long-term and short-term benefits will be by reference to the movement of prices, not the better of prices and earnings as at present. (It will, of course, still be possible to uprate by more than prices if

E.R.

economic circumstances permit and, if it is thought desirable, to give more to a particular group, eg long-term recipients). We must not run any risk of attack on the lines that we are using a doubtful index and hence failing to give the promised price protection. Admittedly the RPI is not perfect for our purposes but the TPI is, as we agree, unsuitable and the PPI is not as generally acceptable. Therefore, I am sure we must stick to the RPI.

I am copying this to the members of 'E' Committee and to Sir John Hunt.

Yours ever

Peter

MC

cc Mr Taylor
Mr Norris
Ms During
Mr Wilson
Mr Fenner
Mr Carruthers
Mr D B Smith
Mr Allison
Mr Searson
Mr Moorey
Mr Shepherd
Mr Sellwood
P/S Chancellor
P/S Financial Secretary to the Tsy.
~~Nick~~ Sanders (No 10)
/H of.
23/8.

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House, Tothill Street, London SW1
~~8 ST JAMES'S SQUARE LONDON SW1Y 4JB~~
Telephone Direct Line ~~01-XXX~~ 01 213 6400
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Rt Hon Lionel Murray OBE
General Secretary
Trades Union Congress
Congress House
Great Russell Street
LONDON WC1B 3LS

28 August 1979

Dear Len

TL
22/8

Thank you for your letter of 14 August about a possible new index of living standards.

I take your point immediately about the great importance of maintaining the Advisory Committee's role. In common with my predecessors of both parties, I recognise and appreciate greatly the contribution that the TUC has made to its work and to maintaining confidence in the RPI without, as you say, the proliferation of indices. I shall do all I can to maintain the integrity and acceptance of the RPI and I hope very much that I can count on your continued support in this.

No doubt you will now have seen the announcement by the Financial Secretary to the Treasury of the new tax and price index, and I am
... enclosing a copy of the press notice issued by the Central Statistical
... Office and also the draft article on the new index which has been prepared for Economic Trends.

From these you will see that the new index does not involve any change to the Retail Prices Index. It will continue to be published on the same basis as before and as agreed by the Advisory Committee. Accordingly I did not consider that it was necessary to refer the tax and price index to the Advisory Committee. The new index makes use of the RPI but so do other economic statistics and these applications, which do not involve any change to the RPI itself, have not been referred to the Committee. In the light of this I do not think you need feel concerned that the Advisory Committee has been bypassed in any way.

Yours ever

Jim

Statistics. ✓MAP

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1

From the Minister

CONFIDENTIAL

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

21 August 1979

Dear Keith,

THE NEW TAX AND PRICE INDEX (TPI)

In the third paragraph of your letter of 13 August to Patrick Jenkin you argue that since the lower income groups spend more on food and food is "not VATable" the use of the RPI as the base for uprating social security benefits is favourable to them. I doubt, however, whether this is a valid conclusion, except perhaps at this particular moment in time when the monthly RPI figure is being heavily affected by the VAT changes in the Budget. Whether or not social security benefits based upon the RPI are favourable to the lower income groups will depend in the longer term upon the relationship over any given period between the movements of the major components of the Index. If the food element rises faster than other components - as it has done on occasions - or if some other important element such as fuel and light behaves in an abnormal way, then these groups could quite conceivably suffer from the use of the RPI.

Just to get the record straight, I ought perhaps to point out that the lower income groups do not in fact "spend more on food". I assume that what you meant to say was that a greater proportion of their total expenditure goes on food. Similarly, of course, not all food etc escapes VAT and it is by no means clear that the lower income groups spend a smaller proportion of their total food expenditure on products subject to VAT - soft drinks, ice cream, potato crisps etc - than do other groups.

I am sending copies of this letter to other members of 'E' Committee, to Patrick Jenkin and to Sir John Hunt.

Yours

PETER WALKER

PRESS
AND
INFORMATION SERVICE

CSO

CENTRAL STATISTICAL OFFICE
GREAT GEORGE STREET LONDON SW1P 3AQ 01-233 6135/6193

COPY No. 1

PERSONAL AND CONFIDENTIAL until release
of Press Notice at 11.30 p.m. on 17 August 1979
and thereafter unclassified

CSO(79)65

17 August 1979

2
PRIME MINISTER
To see
MJ

A NEW INDEX MEASURING TAX AND
PRICE CHANGES

To-day the Central Statistical Office begins monthly publication of a new index measuring the combined effects of changes in direct taxes and prices on people's purchasing power. There has been no change in the method of compiling the Retail Prices Index (RPI). It continues to provide a measure of changes in the prices paid by households for the goods and services they buy.

The purpose of the new Tax and Price Index (TPI) is to combine in a single index a measure of changes in both direct taxes (including national insurance contributions) and in retail prices. Thus, while the RPI may be used to measure changes in the purchasing power of after-tax income, the TPI also takes into account the fact that people will have more or less money to spend according to changes in the level of direct taxation. In essence, the new index measures the change in gross pay which would maintain take-home pay in real terms.

Except when tax rates or tax thresholds change, movements in the TPI simply show how inflation affects taxpayers' costs - the prices they pay for goods and services and their liability for direct tax. Movements in the index over periods which include any changes in tax rates or thresholds thus show the combined effects of these Budget changes and general inflation. Since Budget changes normally occur only once a year, movements in the TPI over periods of twelve months will usually be the most significant indicator.

Press calls only: 01-233 7489/6187 (direct lines)
(After working hours 'phone switchboard - 01-233 3000 - to contact Press Officer)
All other enquiries: 01-233 6135/6193 (direct lines)

Over the twelve months to July 1979 the TPI shows that taxes and prices combined increased on average by 13.2 per cent. Over the same period there was an increase of 15.6 per cent in retail prices as measured by the RPI. Between June and July 1979 the TPI was unchanged, the effects of indirect tax increases and general inflation, which show up in the RPI for July, being wholly offset by cuts in direct tax rates and the raising of tax thresholds.

TAX AND PRICE INDEX: CHANGES TO JULY 1979

	TPI (January 1978 = 100)		Percentage change in TPI over 12 months	Corresponding change in RPI
	1978	1979	1979	1979
January	100.0	106.1	6.1	9.3
February	100.7	107.2	6.5	9.6
March	101.5	108.2	6.6	9.8
April	98.4	110.5	12.3*	10.1
May	99.0	111.6	12.7*	10.3
June	100.0	113.8	13.8*	11.4
July	100.5	113.8	13.2	15.6
August	101.3			
September	101.8			
October	102.4			
November	103.2			
December	104.3			

*These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the 1979 Budget changes which are included from July 1979.

Notes to editors

1. The June 1979 Budget shifted some emphasis from direct to indirect taxes and as a result there has been an increase in retail prices. However, for taxpayers reductions in income tax will offset these retail price increases.

2. The Retail Prices Index (RPI), which measures changes in the prices paid by households for the goods and services they buy, will reflect the price increases resulting from changes in Value Added Tax and other indirect taxes, including local authority rates. But the RPI does not reflect any corresponding or offsetting changes in income tax. The Tax and Price Index (TPI) has been produced as an additional index in order to fill this gap.

3. The quantity of goods and services people can buy with their income (before tax) depends on two things: how much money they have left after tax; and on the prices of what they buy. The new index encompasses both these effects: tax changes and price changes, whereas the RPI reflects only price changes.

4. Movements in the TPI show the effects on taxpayers' costs of both inflation and inflationary fiscal drag, and changes in tax rates and thresholds. Because Budget changes usually occur once a year, movements over periods of twelve months will be of particular interest since they will normally include the combined effects of Budget changes and movements in the general price level, but the timing of Budgets may affect the most useful period over which to make comparisons.

5. The changes resulting from the Budget this year have been taken to affect the TPI from July. No account is taken of the benefit of the rebates of tax in respect of earlier months.

6. Non-taxpayers are excluded from the coverage of the TPI, as are higher income groups - those over £10,000 a year at January 1979. It would not be appropriate to include non-taxpayers, for whom the RPI or the associated indices for pensioner households provide a measure of the changes which would maintain the purchasing power of both net and gross incomes. Those on higher incomes are excluded because the changes in tax liability for these groups are not necessarily representative of those for the majority of taxpayers. This exclusion is broadly the same in percentage terms (the top 4 per cent) as that applied to the households on whose expenditure patterns the RPI is based. Otherwise, everybody is included whether working or retired so long as they pay tax.

7. The weights for the tax and price components of the index are in proportion to average tax liability and average net income respectively. The index measures tax and price changes averaged over all the tax units covered by the index.

8. The information on incomes and taxes needed in the calculation of the index is based on the sample of tax records used in the Inland Revenue's Survey of Personal Incomes. After the exclusion of higher income groups the sample comprises about 80,000 tax units.

9. All items of taxable income are included in the calculations - earnings, self-employment income, pensions and investment income - but non-taxable income is excluded. In particular, changes in child benefit do not affect the index since they do not affect taxes or prices, and for comparability in earlier periods tax relief through child tax allowances has also been excluded.

10. The development work on the index and the calculations have been done by the Inland Revenue in consultation with the Central Statistical Office, Treasury and Department of Employment. A methodological article on the construction of the TPI is to be published in the August issue of Economic Trends and advance copies are available on request.

11. The press notice on the Retail Prices Index is issued to-day, as usual, by the Department of Employment.

AR

Statistics

V MS

8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 6000

M Hall Esq
Private Secretary to the Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

14 August 1979

Dear Martin

NEW TAX AND PRICE INDEX

I attach a copy of a letter we received today from Len Murray about the introduction of the new index.

As you will see he is arguing that no such new index should be introduced without full consultation with the TUC and other organisations concerned.

I understand that the decision has now been taken to go ahead with the index. In the circumstances, Treasury Ministers will no doubt wish to consider how Mr Murray's arguments should be handled in presenting the index.

I am sending copies of this letter and its enclosure to the Private Secretaries to the Members of E Committee, the Secretary of State for Social Services, the Financial Secretary and Sir John Hunt.

Yours sincerely

Ian Fair

I A W FAIR
Private Secretary

TRADES UNION CONGRESS

GENERAL SECRETARY: RT. HON. LIONEL MURRAY OBE

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030 *Telegrams* TRADUNIC LONDON WC1

2

~~PRIME~~ MINISTER
Mr Lawson has a copy.
Preparing the ground to attack the new index on Friday.
MS 14/8

August 14 1979

DEPT Secretary's

OUR REF LM/DL/MV
YOUR REF

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
St James's Square
London SW1Y 4LL

Dear Mr Prior

Indices of Living Standards

I have read a number of reports in recent weeks to the effect that the Government may be intending to introduce a new index of living standards taking account of changes other than earnings and prices.

We have, as you know, over the years, defended the composition of the Retail Prices Index against its critics and have always pointed to the fact that the RPI is based - unlike the corresponding series in many other countries - on agreed statistical methods , based on the work of the RPI Advisory Committee. We would be very concerned if the Government were now to introduce another index without full consultation and agreement about the principles involved, as I am sure this would lead to controversy and the possibility of a proliferation of indices, with the ending of an agreed approach which governments would subsequently regret.

I trust you can give me the assurance that there will be no such development without us having the opportunity to have a full discussion before any final decision is taken.

Yours sincerely

Lionel Murray

General Secretary

Statistics

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone *Direct Line* 01-212 3301
Switchboard 01-212 7676

Secretary of State for Industry

13 August 1979

The Rt Hon Patrick Jenkin MP
Secretary of State
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London SE15

Dear Patrick.

THE NEW TAX AND PRICE INDEX (TPI)

I should like to make one point on your minute of 25 July to the Prime Minister on the question of whether the Retail Price Index (RPI) is the best measure to use in the annual uprating of social security benefits.

Whilst I agree that the RPI is the most obvious indicator to use for updating Pensions and Social Security Benefits, the fact is that it does not accurately reflect the expenditure of those in receipt of these payments.

It is established that the lower income groups spend more on food, etc - ie non-VATable items - so benefit increases in line with the RPI actually <u>improve</u> their standard of living.

On the other hand, the TPI, because the same groups generally benefit less from direct tax cuts, is likely to be <u>unfair</u> to them; as is intimated in your minute.

We need, it seems to me, to take these factors into account. Moreover, we may not always want to change long-term and short-term benefits to the same extent.

I am sending copies of this to the recipients of your minute.

Ever.

Keith

EXTRACT FROM "THE OBSERVER" 12 AUGUST 1979

Tories to launch tax-price index

by ADAM RAPHAEL

THE GOVERNMENT is to soften the bad news that inflation is now soaring above 15 per cent by introducing a new standard of living index designed to reflect the benefit of its tax cuts.

Announcement of the new index is expected on Friday. It will coincide with publication of the July Retail Price Index, which will include the full weight of the VAT and petrol duty increases in the Budget. The consequence, Ministers accept, will be a leap of nearly four points in the RPI, taking it to above 15 per cent at the start of the new pay round.

Mrs Thatcher, backed by the Chancellor, Sir Geoffrey Howe, pushed through the new, composite tax and price index despite Ministerial and official scepticism about its political benefits.

It is designed to show the benefits to the average family of the reductions in income tax set against inflation. The Chancellor believes that the index, by illustrating the narrowing gap between gross and net pay, will discourage inflationary wage demands this autumn.

The construction of the index has caused problems to the Treasury's statisticians. Mortgage payments will probably be included but there is likely to be controversy over the way the index is calculated. Inevitably, the Treasury is bracing itself for accusations of a political fix.

Future inflation is uncertain, given the erratic movements of the pound and the declining trend in commodity prices. The Treasury's forecast is that the annual rate will be 17.5 per cent by November, and that figure is unlikely to be far out.

But that is not the predicted peak, although forecasts that inflation will top 20 per cent this winter may now be too gloomy in view of the sharp upward movement of sterling since the Budget.

Continuing high wage settlements are causing great concern to Ministers. The Chancellor gave another blunt warning last week that the result of inflationary wage demands would be higher unemployment. A report from the Manpower Services Commission that unemployment is likely to exceed two million by the beginning of 1981 is the most authoritative indication of what lies ahead.

There is no sign, however, that Ministers are prepared to relax monetary constraints this autumn. Although there is great pressure for reduction in interest rates, the Chancellor made clear last week that he will not act until bank lending declines.

EXTRACT FROM 'THE SUNDAY TELEGRAPH'

12 AUGUST 1979

New index shows aid in Budget

By Our Industrial Staff

THE Government's first Tax and Price Index is expected to show that the average family's living costs have risen by about 13 per cent over the past 12 months.

The new index is designed to reflect the purchasing power of incomes after taking into account cuts in direct taxes. It shows the effect of tax reductions — which have increased spending power — as well as changes in prices.

It is therefore expected to show a rate of inflation three to four per cent below the Retail Prices Index, which when published on Friday is likely to show a rise of about 16 per cent over a year, compared with last month's 11·4 per cent. The Retail Prices Index does not reflect changes in direct taxation but shows the effect of VAT.

INFLATION TRIGGER

The Prime Minister and senior economics ministers have felt that the prices index acts as a catalyst for wage inflation, and that there should be a separate index showing the effect of both tax and price changes.

The Treasury's latest Economic Progress Report contains a table which claims to show that "the Budget switch from direct to indirect taxes will result in most households being better off than before the change, over the rest of the financial year."

The table shows:

	Real net income % rise		
Gross wkly pay in £	Single	Married couple	Cple, 2 children under 11
60	1·4	1·6	0·9
100	1·7	1·8	1·3
150	1·8	1·9	1·5

Mrs Thatcher will decide tomorrow whether the new index should be issued simultaneously with the prices index on Friday or delayed until the autumn.

There is no doubt that the new index will come under criticism from the TUC and the Labour party.

Mr David Basnett, leader of the General and Municipal Workers' Union, said last night: "Such a false index would not have the slightest influence on the wage claims which will be submitted from this autumn onwards.

"No new index will hide the fact that the Tories have increased the rate of inflation through their Budgetary and other measures.

PRIME MINISTER

THE TAX AND PRICE INDEX

The Chancellor's minute to you setting out his proposals for the new index is at Flag A. Attached to it are two graphs which I commissioned showing the movements in the RPI and TPI from the beginning of 1977 to the third quarter of 1980. Also attached are the Chancellor's earlier minute of 25 July (Flag B) and comments from Sir Keith Joseph (Flag C) and Mr. Nott (Flag D).

The Publication of the new index is likely to be greeted with a good deal of scepticism. The expectations which have been aroused would make it very difficult not to go ahead now, but you ought to see - as a sample of the reactions which will be forthcoming from Opposition sources - the New Society article at Flag E. It will be argued that the new index does not represent "the standard of living" in any sense at all and that because it is a composite index it cannot reasonably be taken as an indication of the earnings rise which would compensate for tax and price changes over the past 12 months for any particular group of workers - so that the unions will claim that their circumstances are different from the movement in the TPI.

The Treasury are still working out the figures for the period before 1977 and there may be some peculiarities in them when they become available. There are certainly some peculiarities in the behaviour in 1979. You will see that the TPI was higher than the RPI from April to June because the 1979 Budget tax reductions are not included in them.

All of this, and the more general worry expressed by Sir Keith Joseph and Mr. Nott about the potential blunting of the Government's general message on pay, means that the presentation of the new index will have to be careful and well thought out. The Treasury are already working on it but we have not seen the result of that work yet.

/Are you

Are you content, given all the reservations I have listed above, that publication should go ahead as the Chancellor suggests? And shall we tell the Treasury that they ought to be in close consultation with the Paymaster General and the No. 10 Press Office about presentation?

MJS

10 August 1979

Please don't publish until presentation has been worked out. Further, I should like to see more precise figures before a final decision is made

MT.

Monday evening. Agreed with Nigel Lawson that TPI should go ahead on Friday. Special attention to be given to presentation

MT.

PERCENTAGE CHANGE IN TPI AND RPI WHERE TPI IS CALCULATED FOR MARRIED COUPLE, HUSBAND ONLY EARNING, ON AVERAGE EARNINGS

	TPI	RPI
January 1974 - January 1977	87%	72%
January 1977 - January 1979	11%	20%
January 1974 - January 1979	107%	107%

ms.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

THE NEW TAX AND PRICE INDEX (TPI)

The final stage of the work has now been done. The figures which are shown at Annex 1 attached are in the form in which they would be published, subject to final checking. The figures in square brackets are for your information; they would not be published on 17th August.

The Calculations

2. You will be familiar with the main features of the new index and the broad principles underlying its calculation. These questions were discussed in my minute of 25th July. The calculations which officials have now completed produce a composite index which, like the RPI, reflects what is happening on average to all (tax paying) households. The previous figures related to specimen households (for example, a married couple on average earnings with two children). The figures which have now been calculated go back by months to January 1977, so that year-on-year changes in the index are available from January 1978 onwards.

3. The calculations show two important points. First, (this was also a feature of the specimen calculations submitted earlier) the year-on-year percentage changes in the TPI over the period covered are consistently below the corresponding changes in the RPI. Over the 12 months from July 1979 onwards, the TPI shows year-on-year changes some 2-3 percentage points below the RPI. However, going back before the General Election, the 'gap' between year-on-year changes in the two indices becomes even larger. This reflects the very large direct tax reductions introduced by the previous

except for March-June 1979

Government in October 1977 and April 1978. In time, figures going back to 1974 will be calculated and published. We would then have something which covered the whole period of the last Administration, revealing what happened to the TPI when direct taxes were raised in the early years, as well as what happened to it when they were reduced in the later years. Meanwhile, we will not release the 1977 figures; this will avoid revealing the year-on-year figures for 1978.

4. Secondly, the TPI increases marginally in July, compared with June (on present estimates of next week's figures for the RPI). This does not imply that the Budget changes have made people worse off, but that there is a substantial underlying rise in the July RPI (of the order of 1½%), independent of the VAT and other indirect tax changes. Even for this month the TPI rises significantly (2.6 per cent) less than the RPI, which is its main purpose.

Competing Indices

5. Since the last submission, both the Institute of Fiscal Studies and Lloyds Bank have produced versions of their own. While both are similar to the TPI, there are deficiencies in both of them. There would not be any difficulty in demonstrating the superiority of our own. As others have published their indices, we should go ahead with our own.

Presentation

6. The new index will need to be presented carefully. There is great public interest in it and a Ministerial launch is appropriate. The Financial Secretary is ready to hold a press conference on 17th August, when the July RPI (the first one to reflect the Budget measures) is published. A full technical exposition of the new index will be available to the public.

7. If the Government goes ahead, Ministers will want to refer to the new index in their speeches. But as Keith Joseph points out, it is most important that it should not be used as a starting point for wage bargaining. The TPI may be less "inflationary" for pay bargains than the RPI - but it is still not the right guide. Pay must depend primarily on production and performance subject always to money supply and cash limits. But the new index can help to de-throne the RPI.

8. Rising press and public interest in the new index makes it desirable to take a decision very soon on whether or not to go ahead. The arguments are not all one way. But I believe it would be right to go ahead.

9. I am copying this to the members of 'E' Committee, to Patrick Jenkin, and Sir John Hunt.

p.p. (G.H.)
9th August 1979

[Approved by the Chancellor of the Exchequer and signed in his absence]

CONFIDENTIAL

ANNEX 1. COMPARISON OF TPI AND RPI, 1978-80

[PROVISIONAL - SUBJECT TO CHECKING]

Figures in square brackets would not be published on 17 August

		TPI 1978=100	TPI % change on year earlier	RPI 1978=100	RPI % change on year earlier
1978	J	100	[4.9]	100	9.9
	F	100.7	[4.5]	100.6	9.5
	M	101.5	[4.1]	101.2	9.1
	A	98.4	[2.1]	102.7	7.9
	M	99.0	[1.7]	103.3	7.7
	J	100.0	[1.5]	104.1	7.4
	J	100.5	[1.9]	104.6	7.8
	A	101.3	[2.1]	105.2	8.0
	S	101.8	[1.9]	105.6	7.8
	O	102.4	[4.4]	106.1	7.8
	N	103.2	[4.6]	106.8	8.1
	D	104.3	[5.0]	107.8	8.4
1979	J	106.1	6.1	109.3	9.3
	F	107.2	6.5	110.2	9.6
	M	108.2	6.6	111.1	9.8
	A	110.5	(12.3)	113.0	10.1
	M	111.6	(12.7)	113.9	10.3
	J	113.8	(13.8)	115.9	11.4
	J (estimate)	113.9	13.3	121.1	15.9
	A (estimate)	[114.6]	[13.1]	[121.6]	[15.6]
1979	Q3 (forecast)	[115.4]	[14.0]	[122.4]	[16.4]
	4 (forecast)	[119.3]	[15.5]	[125.9]	[17.7]
1980	Q1 (forecast)	[122.5]	[14.3]	[128.8]	[16.8]
	2 (forecast)	[124.8]	[(11.5)]	[135.2]	[18.3]
	3 (forecast)	[129.4]	[12.1]	[138.8]	[13.5]

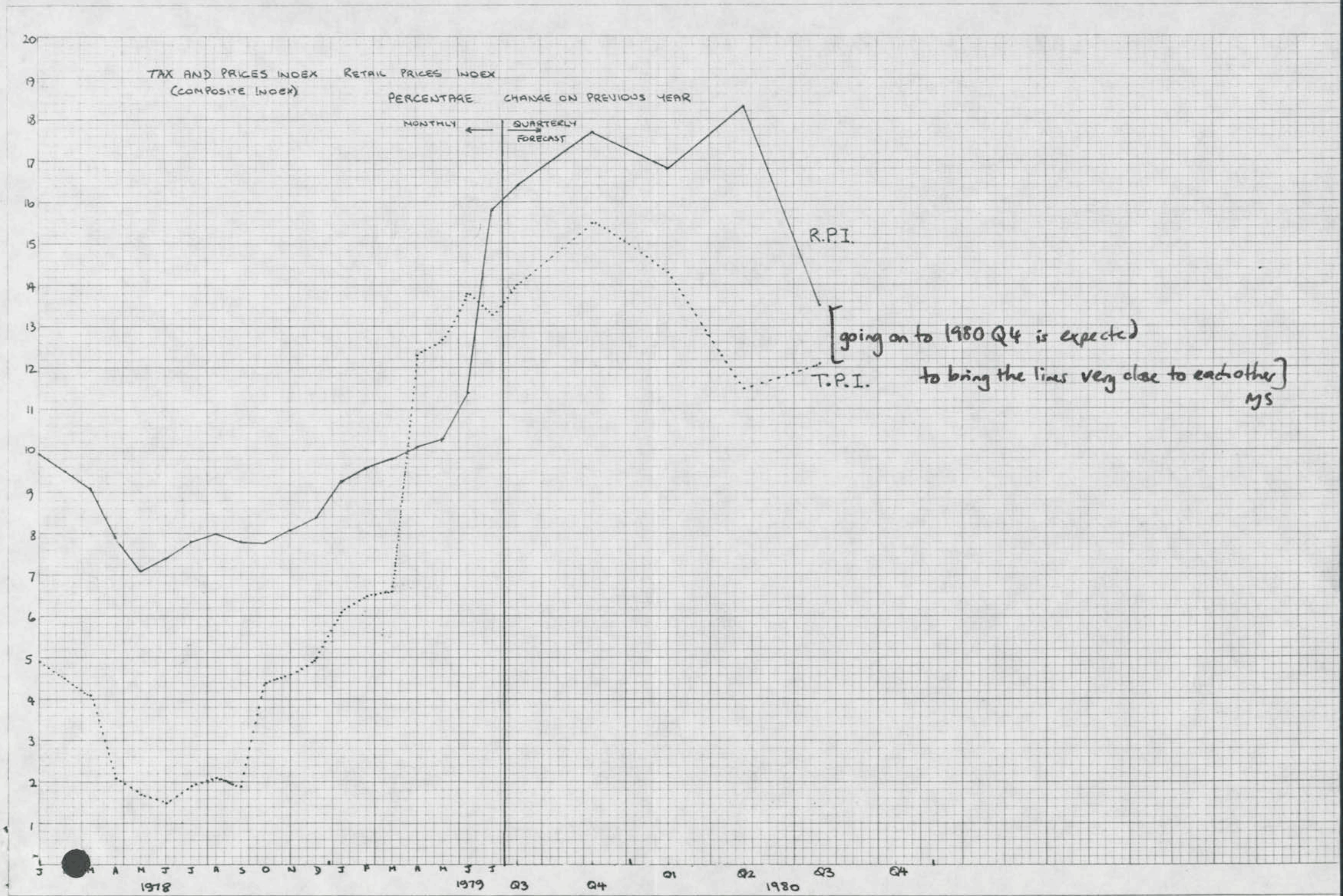
(a) The RPI figures for July and August 1979 are based on DE estimates. The quarterlyforecasts to 1980 Q3 are based on the figures published in the FSBR.

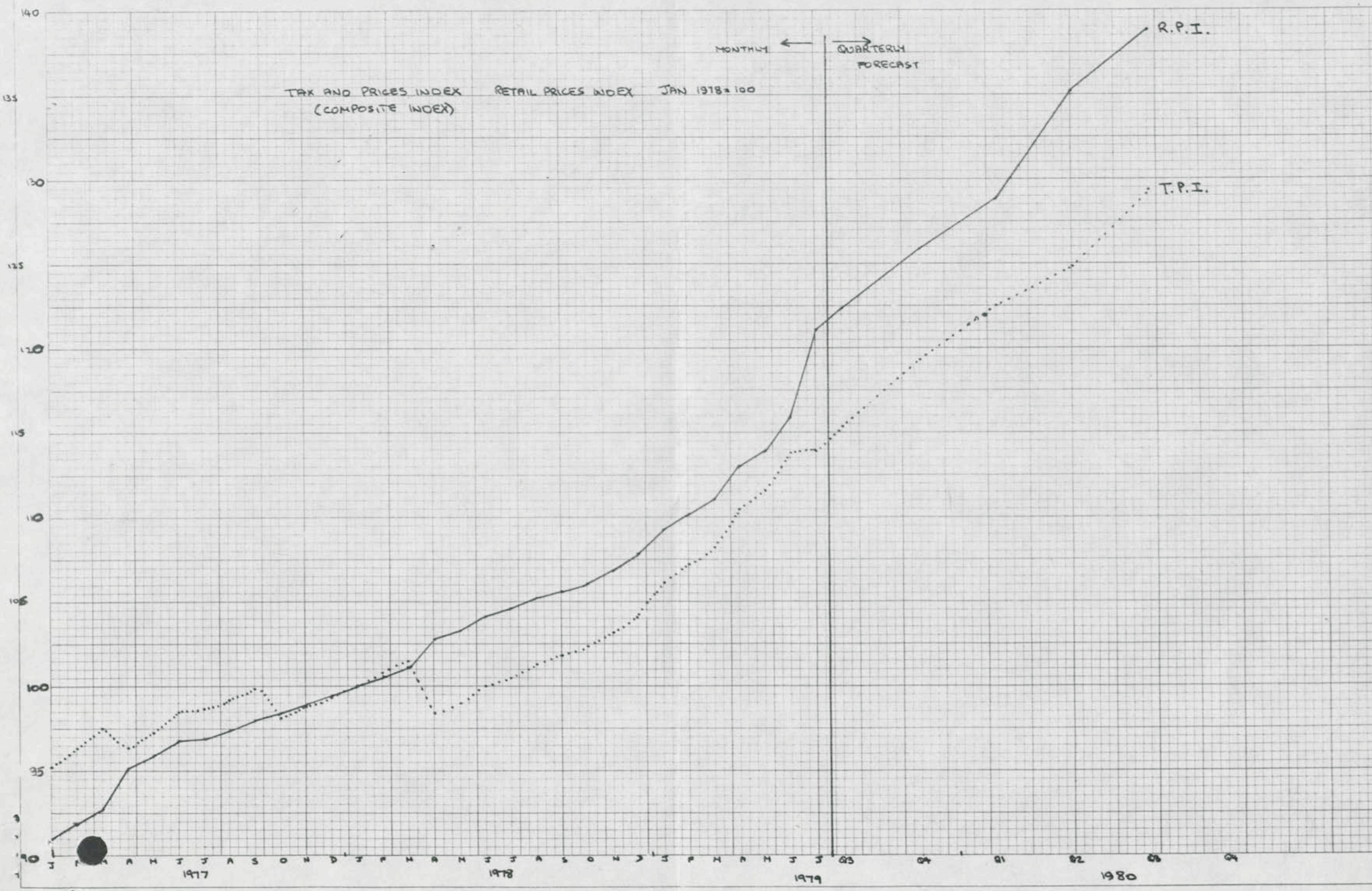
see also the notes overleaf

Annex 1 - contd. 2

(b) The figures for April, May and June 1979, and for Q.2 1980 have been put in parentheses because of the "peculiarities" introduced into the year-on-year figures by the fact that the 1979 Budget was in June rather than in April. The April, May, June 1979 figures are "artificially" high because they take no account of the 1979 Budget; the Q.2 1980 figure is "artificially" low for the same reason, namely the high TPI in Q.2 1979.

(c) The 1980 Budget is assumed to revalorise the main allowances by 17.5%. The effect of this Budget on the TPI is to reduce it by about 5 percentage points on what it would otherwise have shown.


TAX AND PRICES INDEX (COMPOSITE INDEX)
RETAIL PRICES INDEX
PERCENTAGE CHANGE ON PREVIOUS YEAR
MONTHLY
QUARTERLY FORECAST
R.P.I.
T.P.I.
[going on to 1980 Q4 is expected to bring the lines very close to eachother]
MS
J A M J J A S O N D J F M A M J J
1978
1979
Q3 Q4 Q1 Q2 Q3 Q4
1980


TAX AND PRICES INDEX
(COMPOSITE INDEX)
RETAIL PRICES INDEX
JAN 1978 = 100
MONTHLY
QUARTERLY
FORECAST
R.P.I.
T.P.I.
140
135
130
125
120
115
110
105
100
95
90
1977
1978
1979
1980
Q3
Q4
Q1
Q2
Q3
Q4

CONFIDENTIAL

Statistics.
B/F 10/8
MJS

PRIME MINISTER

TAX AND PRICE INDEX

I have seen the Chancellor's minute to you, proposing that we should start publishing this index monthly from 17 August when the July RPI appears. I am broadly in favour of a new index which measures tax changes and I am happy that contingency plans should be made for publication on 17 August. But I think we should appreciate that the index measures the rise in gross earnings needed to maintain net purchasing power (it is not a standard of living index). In this respect the index is intended to influence wage bargaining by moderating workers' views of the increases they need in order to maintain their real incomes. This approach could blunt our more general message on pay - that each employer has a different limit on what he can afford, and that to press for more will put jobs at risk.

2. This is a consideration which you may wish to consider on your return from Lusaka, by which time I understand that the full figures will be available.

3. I am copying this minute to the members of E Committee and Sir John Hunt.

J. N.
(approved by the Secretary of State and signed in his absence)

Department of Trade
2 August 1979

CONFIDENTIAL

Statistics

B/F 10/8/-

PRIME MINISTER

THE NEW TAX AND PRICE INDEX (TPI)

I recognise that expectations for a new index have been aroused and I would not want to dissent in principle from what the Chancellor of the Exchequer proposes in his minute to you of 25 July. But I should like to enter a note of caution about how TPI is launched and put across subsequently.

As I see it, the purpose of the TPI would be to expose the deficiencies of the RPI and, more positively, to show how higher indirect taxation has been more than made good by reductions in direct taxation. I am, of course, in favour of that objective.

But in putting the TPI across we should avoid at all costs any implication that the Government was inviting wage negotiators to use it, as a supplement to the RPI, as the basis of their bargaining. Too much emphasis on the TPI will tend to blunt the main message on pay - that what counts is what firms can afford to pay and the value of the goods produced or services provided, and that indexation is irrelevant to that process.

Furthermore, I see some danger in a tax-based index drawing attention to the erosive effect of income tax on the money values of wage increases, thus encouraging union negotiators to gross up their claims more than they do at present.

/I ...

I hope that the TPI can be put across, in a suitably low key, with these dangers in mind. I would hope that the emphasis could be placed on the effects of tax changes in cash terms, rather than on percentages.

I am copying this to members of E Committee, to Patrick Jenkin and to Sir John Hunt.

KJ.

K J
1 AUGUST 1979

Department of Industry
Ashdown House
123 Victoria Street

PO CONFIDENTIAL Statistics

NBPM at this stage
MJS

8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 6000

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1P 3AG

20 July 1979

Dear Geoffrey

THE NEW TAX AND PRICE INDEX (TPI)

I have seen that the Prime Minister last week agreed that on balance it would probably be worth introducing the new index, and that a final decision should be made when further work has been completed.

I should like you to know that I am generally content with the way things are going on this project.

I very much agree with your view that the new index should be a supplementary piece of information rather than a substitute for the RPI. It could help to get into the public mind that the benefit of the tax cuts needs to be borne in mind alongside the increases in the RPI arising from VAT. In doing this it would be desirable not to overplay the new index.

From the point of view of pay bargaining, the cut in direct taxes is certainly a point that must be taken into account along with the mix of other considerations which enter into negotiations, including of course the movement in the RPI. Should, however, we find at the end of the day, when we have the final results of the TPI studies before us, that we are doubtful about proceeding with the new index, then I think it would be possible to take steps to draw attention to the cut in direct taxes as being relevant to negotiations without having them incorporated in a special index, although this will not be easy.

cc the Prime Minister
other members of E Committee
Patrick Jenkin
Sir John Hunt

Yours
Jim

CONFIDENTIAL

FCO HMT
LPO IND
MAFF EMP
ENG TRADE
DHSS CO

10 DOWNING STREET

From the Private Secretary

B/F 10-8-79
to check with TL for further action

26 July 1979

Dear Tony,

The New Tax and Price Index

The Prime Minister discussed the Chancellor's proposals for the new tax and price index, as set out in his minute of 25 July, when they met this morning. The Prime Minister agreed that, on balance, it would probably be worth introducing the new index, and asked that the further work which is needed to finalise it should proceed. They agreed that a final decision on the new index should be taken when this further work has been completed after the Prime Minister returns from Lusaka.

I am sending copies of this letter to the Private Secretaries to members of E Committee, to Don Brereton (Department of Health and Social Security) and Martin Vile (Cabinet Office).

Yours ever,

Tim Lankester.

KRR

Tony Battishill, Esq
HM Treasury.

CONFIDENTIAL

PRIME MINISTER

MEETING WITH THE CHANCELLOR

I suggest you might raise the following issues at your meeting tomorrow:

(i) Public attitudes on pay determination

We need decisions on how the two campaigns suggested by Sir Keith Joseph should be implemented. My separate note at Flag A makes some suggestions.

(ii) The new tax and price index

The Chancellor's minute at Flag B proposes that, provided the figures come out alright, the new index should be announced on 17 August - the day the July RPI figure comes out. As the minute points out, there certainly seem to be some snags in this new index; but on balance, I think it will be worth introducing. Over the coming pay round it ought to be helpful, and we have virtually said that such an index will be introduced. A final decision is not needed now: this can wait until the final figures have been worked out immediately on your return from Lusaka.

(iii) Public expenditure

I attach a break-down of the reduced plans for Department of Employment expenditure (Flag C). This shows that expenditure on the Manpower Services Commission will still increase significantly in 1980/81. If we need some further savings to finance an electricity discount scheme in the winter, this programme would be worth looking at. At Flag D are public expenditure by programme index numbers going back to 1974-75 which you might like to glance at.

The Chancellor may wish to raise with you his handling of publicity after his meeting with the TUC Economic Committee tomorrow. He is thinking of going on TV and radio to explain the Government's position on public expenditure. This seems an excellent idea: we can be sure that Len Murray will use the media to criticise the Government.

TL

25 July 1979

Prime Minister

THE NEW TAX AND PRICE INDEX (TPI)

1. Geoffrey Howe sent me a copy of his minute to you of 25 July about the publication of this new Index.

2. My concern is of course with the possible effect of introducing an Index which stands alongside the RPI on the annual uprating of social security benefits.

3. The statutory position is that it is my responsibility to make sure that benefits maintain their real value. The RPI has been the indicator which has been used to date, and I am in no doubt that it will certainly be the RPI which remains the best available measure, generally, of how social security benefits should move in order to "price protect" them.

4. The points mentioned in paragraph 7(iii) of the Chancellor's minute are certainly relevant in this connection. One of the major features of the Social Security Bill which we are introducing in the autumn will be the provision which restricts pension upratings to prices only instead of the better of prices or earnings. The question of what we mean by price protection will therefore come under close scrutiny and we shall certainly need to be in a position to give firm assurances that there is no question of eroding the significance of price protection by using an indicator other than the RPI in order to produce a lower uprating.

5. I am sending copies of this minute to the Chancellor, members of E Committee and to Sir John Hunt.

Don Brereton

(Signed by Private Secretary and approved by the Secretary of State)

P J

25 July 1979

25 JUL 1979

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

RM seen

PRIME MINISTER

THE NEW TAX AND PRICE INDEX (TPI)

Officials have now virtually finished their investigation of a new index, designed to incorporate changes in income tax and to supplement the RPI. But they still have to complete the calculations required if we are to have an index which reflects what is happening to a representative rather than to a specimen household such as a married couple on average earnings with two children. This work cannot be completed until early August and if they run into snags, we would not be able to meet the August deadline. Subject to this, however, we would be in a position technically to meet a launch on the 17 August, when the July RPI figure is published.

2. The new index would apply only to tax payers. Essentially it combines movements in the RPI with changes in direct taxes and national insurance contributions. (The other features are set out in Annex 1).

3. The key issue is what the index is likely to show. Working on the basis of a specimen household, Annex 2 to this minute sets out a preliminary indication of past movements of the RPI and the new Index, and the likely movement of both on the basis of the short term forecast. For the TPI, a married couple (husband only working on average earnings) specimen has been used. Officials will be in a position to advise us what the composite index would show, on the basis of the forecast, when you return from Lusaka.

4. As the chart shows, the month-to-month movement of the TPI will have a saw-tooth path, tending to fall when income tax is reduced, but catching up on the RPI between budgets because of inflationary fiscal drag. We propose to set it out on a year-to-year basis, which will avoid this somewhat awkward feature (second chart). But outsiders will be able to do their own sums and Members will doubtless ask for the figures covering a shorter time scale on an annualised basis. The year-on-year figures for the TPI will, of course, only show a lower growth than those for the RPI if we are able to continue to reduce income tax in successive budgets.

5. The figures for the specimen households show year-on-year increases of the TPI of around 13-14 per cent from July onwards. This is less than the likely increase in the RPI itself, which will build up to around 17-18 per cent by the end of the year.

6. There are clearly arguments both for and against the launch of this new Index. The advantages are:-

(i) For next 7 months it will show significantly lower increases for tax payers than the RPI on its own; it should therefore take the heat off the RPI figures and could also be useful in pay bargaining.

(ii) If we are able to reduce income tax (ie achieve more than full indexation) in the next Budget, the TPI will continue to record a lower figure than the RPI. What will be possible depends on economic circumstances and on achieving further progress on public expenditure.

7. The disadvantages, which we have already discussed, are:-

(i) If further cuts in income tax beyond full indexation are not possible, the TPI would rise as fast as the RPI after the current financial year. If we were unable fully to index income tax, the TPI would rise faster than the RPI.

(ii) Because of the wide variation in the tax positions of individual households, critics will argue that the TPI is not very representative. This point is, to some extent, also true of the RPI, but to a lesser extent as the tax positions of households differ rather more than their expenditure.

(iii) At the moment, the annual social security upratings are based on the RPI, and the introduction of the TPI could give rise to two risks. First, we may be suspected of seeking to reduce the costs of pensions and other benefits by giving an uprating based on the TPI when the TPI is lower than the RPI - there is already Parliamentary interest in this. Secondly, because the TPI does not cover non-tax payers, we might be pressed to use discrete indices for various classes of social security beneficiaries when these were ahead of the RPI. This could be costly. We must therefore maintain steady our position that for the uprating of social security benefits in general the RPI rules, whatever the TPI says.

8. On balance, because expectations have been aroused, I think that, provided the numerical analysis is successful, we should launch the TPI on 17 August. The alternative would be to stress developments in post tax real earnings, but not in index number form.

9. The name of the new index is important. We would like to catch the public's imagination, but - contrary to some press reports - it is not a Standard of Living Index nor is it wise to call it a Cost of Living Index. To do so would open the way to technical arguments which opponents would deploy to discredit the new index. What we want to do is to supplement the RPI not supplant it. I think it is best to give it the admittedly austere name of "Tax and Price Index" (TPI). This is an exact description of what it is and it leaves us some flexibility in explaining it to the public in our speeches.

10. Initial presentation is also important. If we are to introduce it at all, I think it essential that it should appear for the first time on 17 August - when the July RPI, the first to reflect the Budget changes in taxes, will be published - and that it would be absurd to miss this key date. I propose that the Financial Secretary should launch it at a press conference, at which he could comment on the publication of the new Index and its relationship to the RPI, while the indices themselves were released in the standard form. A technical exposition would be available at the same time.

11. The key decision at the moment is whether or not to go ahead with the Index, provided that snags do not arise on the numerical work (which will be completed while you are away). If you decide we should go ahead, we shall have forecasts of the composite Index available on 9 August. I have no reason to expect these will be dramatically different from the index based on a specimen household, though a representative Index will be rather more weighted towards lower income earners, as a majority of people earn less than average earnings.

12. I am sending copies of this minute to members of "E" Committee, to Patrick Jenkin, and to Sir John Hunt.

Martin Hall

G.H.

25 July 1979

[Approved by the Chancellor of the Exchequer and signed in his absence]

Annex 1

MAIN FEATURES OF THE TAX AND PRICE INDEX

It would be confined to tax payers, on the grounds that for non-tax payers the RPI was already the most relevant index. With the exception of payments to tax payer pensioners, all social security benefits, including child benefit, would be excluded. To give the new Index a similar coverage to the RPI, high income earners would be excluded. The tax element of the TPI deals with tax liabilities and not actual payments. It also includes employees' national insurance contributions. An important issue concerns whether budget changes are to be included only from the date of the Budget, and what treatment there might be for any back payments. The preferred solution, whereby new rates and allowances would be incorporated from the date announced, without taking account of back payments, is I am sure the best one. But we shall have to explain the relation between this and the figures quoted in the Budget speech, which were calculated on a 42 week basis. We have decided not to revise the Index after publication. The RPI is not revised; the main issue of the Index is presentational; revision would be an unnecessary complication. Finally, the Index should not be introduced until we were ready to continue in exactly the same form; hence there should be no use of specimen households, but a composite Index should come in straight away.

Annex 2

PAST AND FORECAST MOVEMENTS IN THE RPI AND NEW INDEX

Attached are two charts which show the movement in the RPI and the new index over the period January 1977 to the end of 1980. For the past, monthly figures were used; for the forecast period, quarterly estimates. Movements are shown in terms both of index levels and year on year percentage changes. The forecast figures were derived from the FSBR; this assumes that in the 1980 budget personal tax allowances are indexed in line with the increase in the RPI that is forecast during 1979.

2. The figures are calculated on the basis of a specimen household (married couple on average earnings). They should not therefore be taken as being more than broadly indicative of movements in a composite index for which figures are not yet available.

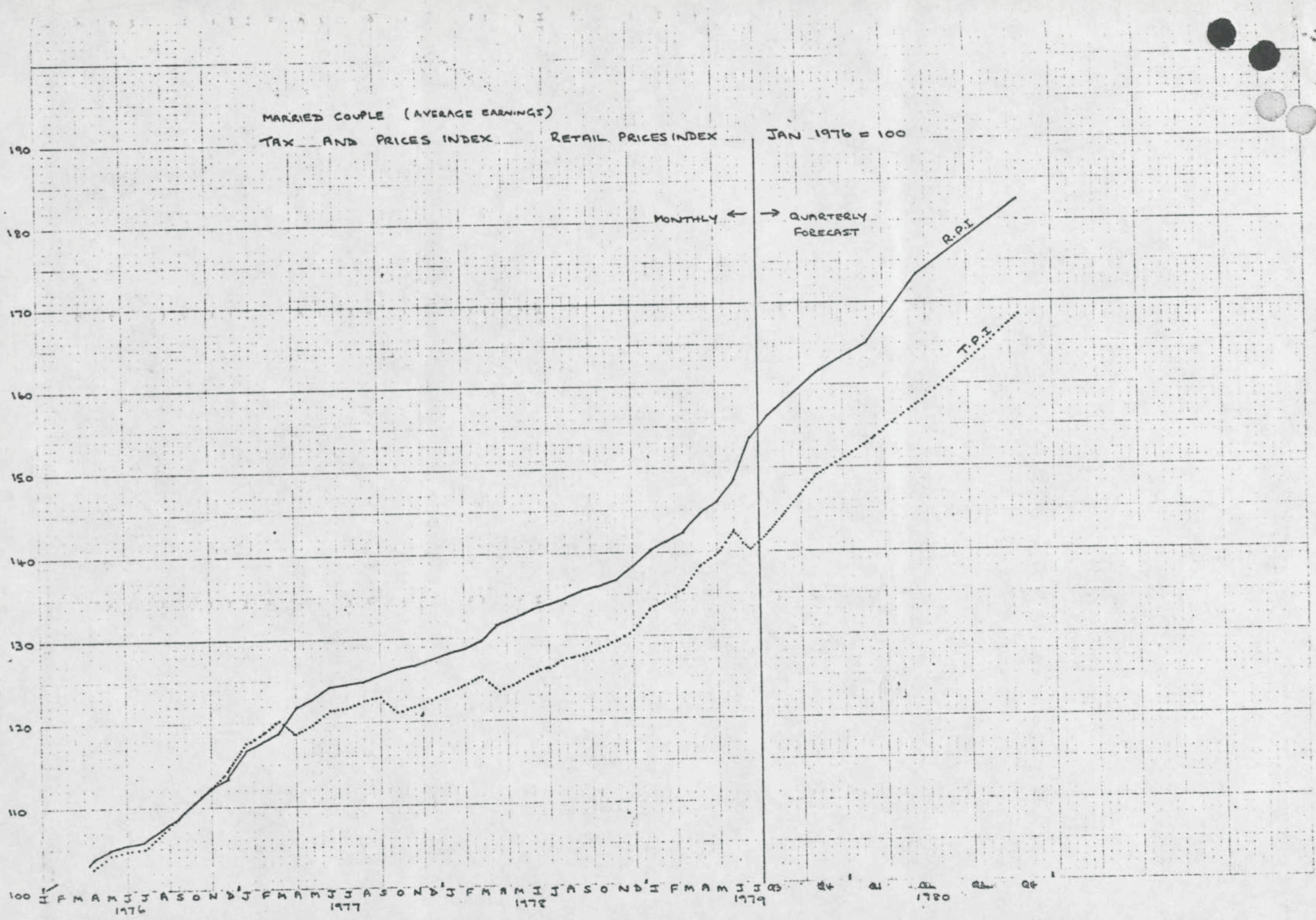
3. Interesting features of the calculation are as follows:

(a) Between budgets, movements in the level of the new index will tend to display a "sawtooth" pattern arising from the effects of fiscal drag.

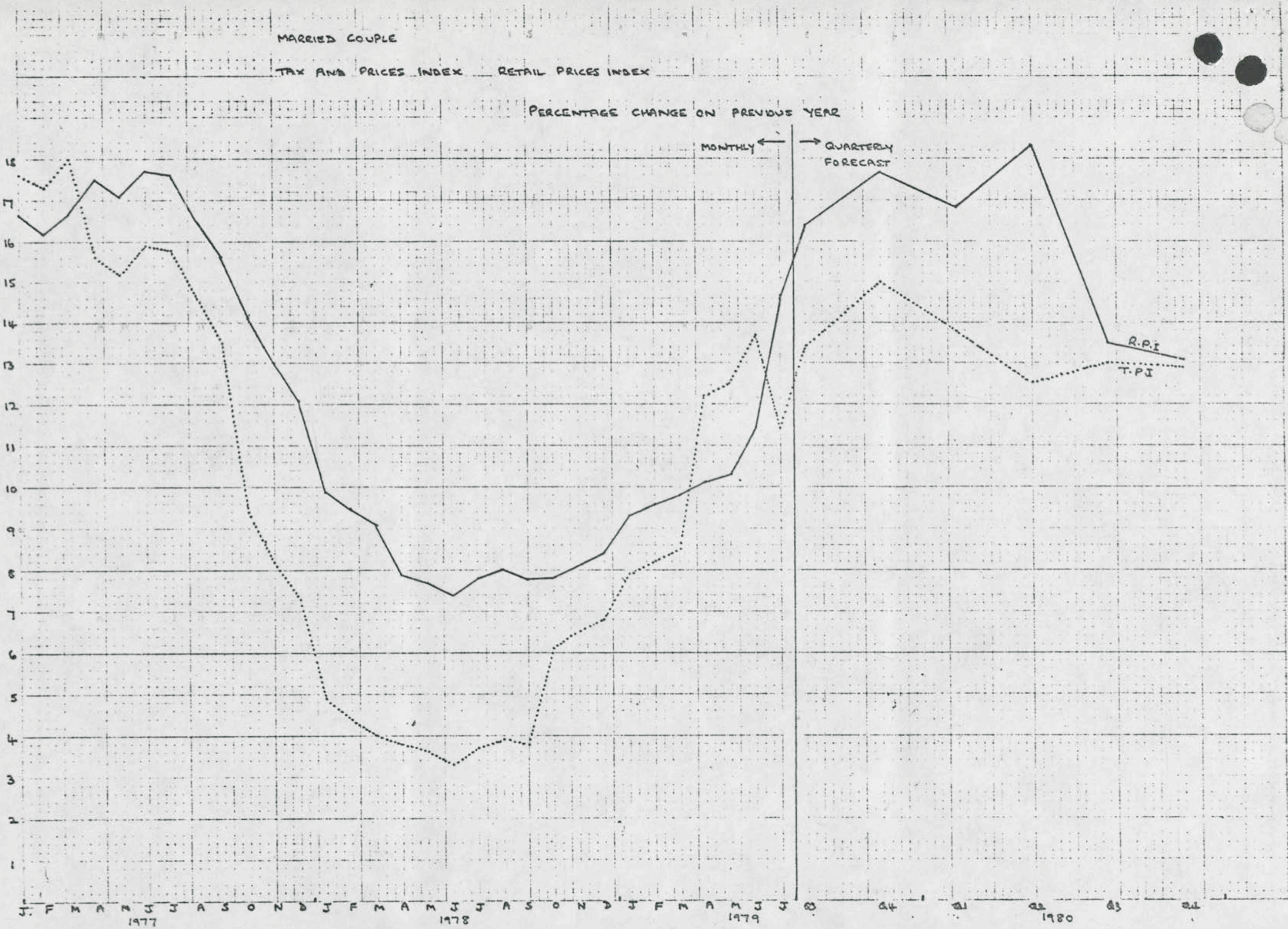
/(b)

(b) Since 1977 the new index has risen rather more slowly than the RPI. This is because direct tax reductions over this period have more than fully compensated for increases in retail prices, so that the tax component of the new index has risen more slowly than the RPI.

(c) What happens beyond April 1980 depends on next year's budget. On the assumption that allowances are fully revalorised, the year on year increase in the RPI will fall back in line with the new index.



MARRIED COUPLE (AVERAGE EARNINGS)
TAX AND PRICES INDEX ... RETAIL PRICES INDEX ... JAN 1976 = 100
MONTHLY ← → QUARTERLY FORECAST
R.P.I.
T.P.I.
190
180
170
160
150
140
130
120
110
100
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J Q3 Q4 Q1 Q2 Q3 Q4
1976
1977
1978
1979
1980



MARRIED COUPLE
TAX AND PRICES INDEX ... RETAIL PRICES INDEX —
PERCENTAGE CHANGE ON PREVIOUS YEAR
MONTHLY ←
→ QUARTERLY FORECAST
R.P.I
T.P.I
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J Q3 Q4 Q1 Q2 Q3 Q4
1977
1978
1979
1980

Index finger raised

It's the right time of year for cricketing imagery. So here goes.

Among the problems that admirable game faces is the fact that those responsible for running it think the way to get it out of its doldrums (for example, a Yorkshire-Middlesex match at Lords last week most devotedly attended by old age pensioners) is to keep tinkering with the rules. Yet it is somehow in the nature of the game to resist this.

Now consider the analogy with what has been happening nearer the Oval than Lords —at the House of Commons. A famous lay preacher once pointed out that "there ain't no butter in Hell." Well, there ain't much cricket at the Commons, *except* for the sort that consists of mucking about with the rules.

With one of those brilliant ideas that occur to special advisers in the bath (see Tessa Blackstone's article this week), someone must have convinced the Prime Minister that it would really make all the difference to this tedious business of industrial strife and wage bargaining if we put the whole business on a quite fresh footing.

Trade unionists have a bad habit of referring to rises in the retail price index when making their claims. Hey presto, then: let's change it.

Hence the Prime Minister's statement in the Commons last Thursday: "Alongside the retail price index we are planning to introduce a standard of living index, which we feel will give a very much more accurate reflection of the direct tax reductions which have been made."

What is clearly envisaged is the publication of an index of the net income of the average earner in the average family, adjusted for income tax reductions as well as the rise in prices. Such an index is of interest and importance: however, to describe it as a standard of living index is a distortion.

Information about net incomes of average earners has been calculated by government departments for years; turning this into an index adjusted for inflation should take a competent statistician about five minutes a month. Thus there is nothing new about what is proposed, save that it is being presented as a measure of the standard of living.

But whose standard of living? The average earner is, in government statistics, almost invariably taken as a man with average male earnings, now around £90 a week. Women generally earn much lower amounts; and in any case, since the average is influenced by those on high earnings, 55 per cent of men earn below average male earnings.

Most crucially, it is the groups not in work who would be excluded from this standard of living index. When unemployment rises, as seems inevitable, the wage-earner cast onto the dole will become a non-person as far as the new index is concerned. The standard of living of the unemployed, the disabled or the pensioner would simply not enter into the calculation of an index of the real net income of the average earner.

The second deficiency is that this conception of the standard of living clearly does not extend beyond money incomes. Mrs Thatcher said: "The tax on pay is the price of things like education, defence and so on, but when that price comes down reductions in that price ought to be reflected in the retail price index. Unfortunately it is not."

The confusion and sentiments revealed by such a statement are alarming. What is clear is an indifference to the value of social services. The statement makes no distinction between the price of public services and their standard and quality. Nothing in the budget lowered the price of public services. Indeed, higher VAT raised their price. And in education, for example, the expenditure cuts increased the sizes of classes, and could deprive children of school books.

As the government shifts the burden of health and education away from collective provision through taxation onto the private individual, net money incomes should of course rise. But when at the same time social services are cut, this in turn reduces the standard of living of the average earner.

Ironically, five years ago when the Labour government was increasing pensions and social services, Barbara Castle sought to introduce the idea of the "social wage"— the value of the social services that were being received. Thus, when taxes were increased to pay for improved services, it was hoped, as part of the "social contract," that trade unions would take account of the increase in the social wage. The new government appears to count the social wage as nought. When social services are being cut, the government is asking people if they will ignore the cuts: few of them will do so.

A disturbing feature of the introduction of a new index is the role of the Government Statistical Service. In the past they have been rightly, if sometimes excessively, anxious to avoid producing data that might be thought politically biased or that purported to be more than it really was. There is every sign that the new index has been demanded by the Prime Minister, accepting no resistance or argument.

It is not surprising that the government wants data that shows its performance in the best light. No government, Labour or Conservative, has ever been immune from this temptation. But an index of the real net income of the average earner is just that, and no more. To call it a standard of living index would be a damned lie.

One of the functions of a Prime Minister, in the past, has been to act as a kind of national umpire. Does the umpire need an umpire?

New Society - 19 July 1979

Original filed
Econ. Pol. (Budget)
Pt 2.

WS/FS5 Statistics
Sir D Wass
Mr Byatt
Mr Littler
Mr Cassell
Mr RIG Allen
Mr Ridley

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5th July 1979

Dear Tim,

In your letter of 21st June you asked for comments on points which the Prime Minister had made on stock relief and corporation tax. As a separate matter your letter also said that the Prime Minister had asked what progress was being made in devising a 'standard of living' index, which will include tax as part of the cost of living.

Corporation tax and stock relief

The Chancellor has already set in hand a wide-ranging review of the corporation tax system.

Although stock relief has undoubtedly provided a good deal of help for industry, it is true that it is rough and ready and can to some extent be manipulated. For this reason it is already being looked at as part of the review; the Chancellor will certainly take account of the Prime Minister's observations.

Meanwhile, it would be wrong to understate the effectiveness of the corporation tax, although it is clearly uneven in its present form. It yielded nearly £4 billion in 1978-79, and is forecast to rise to nearly £5 billion in the current year. Certainly, it has been less buoyant than income tax. But this was in some aspects inevitable, with company profitability as low in real terms as it has been recently. Corporation tax remains the third largest revenue-raiser, after income tax and VAT.

Before bringing forward any proposals for change, the Chancellor will be consulting both with colleagues and with outside interests; and he will, of course, in due course be reporting to the Prime Minister.

/Development of

T. Lankester, Esq.,
No.10, Downing Street

Development of a tax and price index

As for a 'standard of living index' a group of officials, with representatives of the Treasury, CSO, Department of Employment and the Inland Revenue under Ian Byatt's chairmanship, was set up to consider this question some time ago. It reported to the Chancellor early in June. The group report concluded that while it would be unacceptable to consider ceasing publication of the retail prices index (RPI), or changing the basis on which it is calculated, there was a strong case for developing supplementary statistics which would reflect more adequately the effect on the purchasing power of households of changes in the balance between direct and indirect taxes. The most fruitful approach seemed to be to develop a "tax and price" index. This appeared to fulfill the essential objective of Ministers in that it is an indicator which takes account both of movements in retail prices and in direct tax liabilities.

The group's general approach has been endorsed by the Chancellor. He has however stressed that the objective should be to construct a single overall index, rather than a number of indicators relating, for example, to different household types, income levels, etc. Officials explained that a number of technical problems remained to be resolved and that the development of an overall index which would stand up to critical examination, and therefore be credible, would take time. Nothing of this kind would be available before the autumn. However, while work on an overall index would continue, figures for specimen households could be prepared quite quickly and should be available for publication in time for the July RPI (which will reflect most of the effect of the Budget package), due to be published in August, and well in time for the start of the coming pay round.

The Chancellor asked the group to follow up this work with all speed, emphasising the critical importance of getting the presentational aspects right. For the next stage of the exercise the group will carry out calculations to show (for specimen households) how the index would have performed in the recent past, in comparison with the RPI and earnings indices, and how it is likely to behave over the next 12-18 months. The group will concentrate on the presentational aspects of the index and prepare a draft press notice. They hope to complete this next stage of the work in about a week. Ministers will then be in a position to make final decisions about publication of the index. A fuller report on the characteristics and properties of the index will also be prepared.

Yours ever,

Tony Battishill

(A.M.W. BATTISHILL)

JS

BF 5/7/79

10 DOWNING STREET

From the Private Secretary

21 June 1979

Top Copy on: Econ Pol, Budget, PE2

The Prime Minister has expressed concern about the current provisions for corporate stock relief. Her impression is that it has a distorting influence on company behaviour in that companies tend to increase their stocks unnecessarily at the end of the financial year; and this also results in a loss to the Exchequer. I would be grateful if you could let me have comments on this point. It would be helpful if you could also let me know what are the Chancellor's plans for reviewing Corporation Tax generally: the Prime Minister has expressed the view that Corporation Tax has become an "optional tax", and she thinks that consideration should be given either to abolishing it altogether or to making it operative.

This BF on Budget file

The Prime Minister has also asked what progress is being made in devising a "standard of living" index, which will include tax as part of the cost of living. She considers the creation of such an index to be very important in the context of future pay negotiations, and I should be glad if you would let me have a progress report.

TPL

A.M.W. Battishill, Esq.,
HM Treasury.

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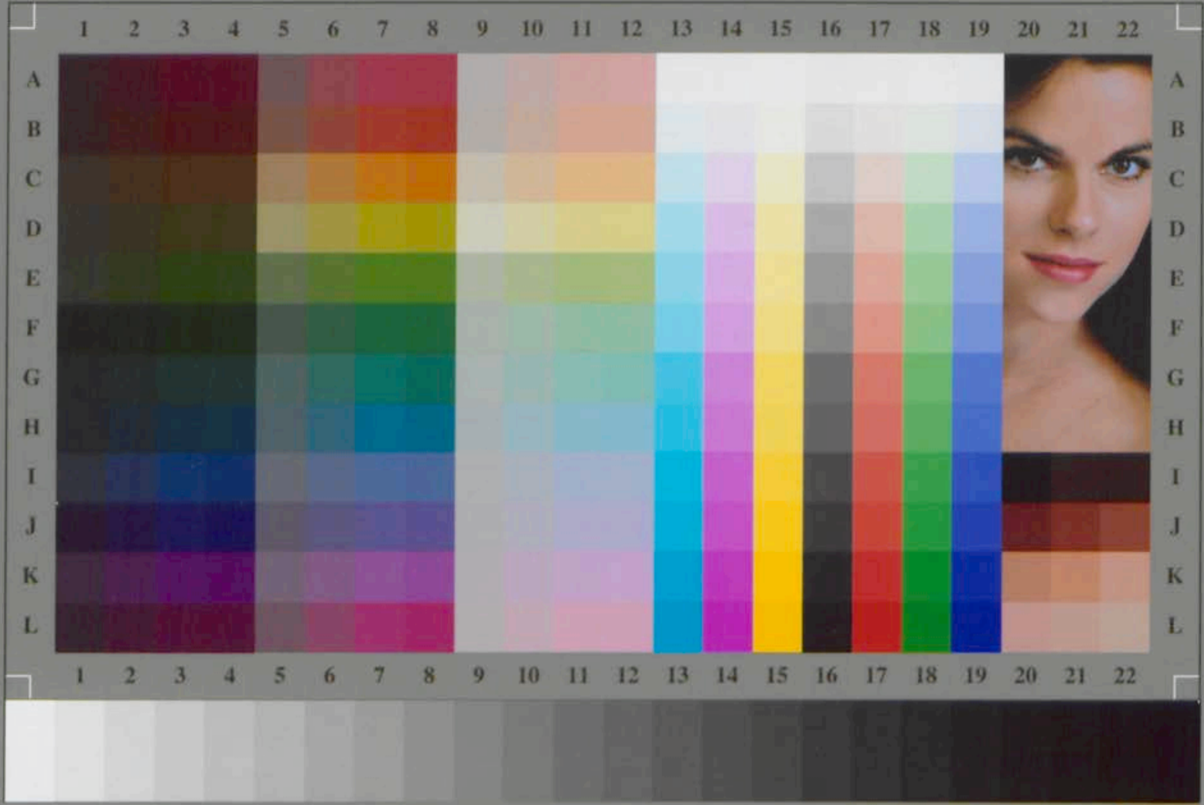
C M Y



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