

CONFIDENTIAL

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PART B

1987 FINANCE BILL

SECTION USE ONLY	REFER TO	DATE	REFER TO	DATE
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PA(2013/87)PAR 26/10/93



FROM: N WILLIAMS  
DATE: 13 February 1987

MR GLEDHILL IR

cc PS/Chancellor ✓  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir Peter Middleton  
Sir Terence Burns  
Mr Bailey  
Mr Monck  
Mr Cropper  
Mr Monger  
Mr Graham OPC  
Mr P B G Jones IR  
PS/IR

**FINANCE BILL STARTER No 164**

**Amendment to Section 58 Finance Act 1969: Disclosure of Individual Establishment Employment Data to Local Authorities**

1. The Financial Secretary was grateful for your minute of 11 February.
2. The Financial Secretary is 'reluctantly' persuaded that this Starter should be included in this year's Finance Bill.

NIGEL WILLIAMS  
(Assistant Private Secretary)



FROM: S P Judge R

DATE: 17 February 1987

PARLIAMENTARY CLERK

cc PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
Mr Scholar  
Mr Walters

**FINANCE BILL: GUIDANCE FOR OFFICIALS**

The Minister of State has seen your note, and has commented that the arrangements worked well last year. I tried to pass this message on by telephone, but the number at the head of your minute was unobtainable.

**S P JUDGE**  
Private Secretary

**RESTRICTED**

1. Cathy  
2. RWP

**FROM:** B O DYER  
**DATE:** 12 February 1986

01-233 4749

PS/CHIEF SECRETARY  
PS/FINANCIAL SECRETARY  
PS/ECONOMIC SECRETARY  
PS/MINISTER OF STATE

cc PS/Chancellor  
Mr Scholar - FP  
Mr Walters - FP

**FINANCE BILL 1986 : GUIDANCE FOR OFFICIALS**

Around this time of year, the Parliamentary Clerk provides officials (supporting Ministers responsible for the passage of the Bill through the House) with guidance on the handling, timing and drafting of notes on clauses, amendments etc. I attach a draft for this purpose.

2. The guidance is much the same as last year, which seemed to work well. For the record, the dates in Section 3 represent an idealised timetable based on the passage of last year's Bill. Before the guidance is issued, this section (3.1) will be revised, where appropriate, to reflect the views of FP; and also to take account of any changes in circumstance or other intelligence that may influence the timetable-eg the local elections on 7 May.

3. In the meantime, I should be grateful if you could let me know whether the guidance, as drafted, meets the likely requirements of your Minister (assuming, of course, that he will be actively involved in the passage of the Bill again this year).

A handwritten signature in black ink, appearing to be 'B. O. Dyer'.

**B O DYER**  
Parliamentary Clerk

**GUIDANCE TO OFFICIALS ON FINANCE BILL 1987****CONTENTS**

<b>Section</b>	<b>Subject</b>
1.	Notes
2.	Distribution
3.	Timing
4.	Officials on duty in the Speaker's Box
5.	Officials attending Standing Committee.

**Annex**

A.	Parliamentary Clerk's Requirements
B.	Example of a Note Clause
C.	Example of a Note on Amendment
D.	Example of a Note on a non-Government amendment.

**FINANCE BILL 1986****1. NOTES****1.1 Types**

There are two types of Note on a Finance Bill:

(i) Notes on Clauses, Schedules, Government Amendments, Government New Clauses New Schedules and any associated Resolutions; and

(ii) Notes on other (non-Government) amendments and other New Clauses and New Schedules.

**1.2 Heading and Numbering**

All Notes should be headed and numbered in the top right hand corner. In the case of Notes on Clauses produced for the Bill as first published, these need only indicate 'Finance Bill 1987' and the Clause/Schedule number; all other notes should indicate 'Finance Bill 1987', the stage of the Bill ie Committee of the Whole House, Committee Stage or Report Stage, the number of the Clause/Schedule/New Clause and the amendment number, plus (if appropriate) the page and line of the Bill being amended.

**1.3 Type (i)**

These should comprise two parts: the first part of the Note - which should not be numbered as Part I - should contain a short note on the purpose of the Clause or amendment, followed, if necessary, by more detailed explanation, which should be factual and as succinct as is consistent with comprehensibility; the second part, which should start on a separate sheet of paper, should be numbered Part II and clearly marked 'Speaking Notes (Not for circulation)'. Examples of type (i) Notes are appended at Annexes B and C. The reason for dividing the Note into two is because copies of the first part are distributed to Members of the Standing Committee and to MPs generally for Clauses taken in Committee and

the Whole House (see Section 2 on Distribution).

NB. Where substantial amendments to a Clause or Schedule are proposed by the Government, the first part of the Note should also include a retype of the Clause or Schedule showing how it would look if all the Government amendments were to be agreed.

#### 1.4 **Type (ii)**

These are for use by Ministers only and do not therefore need to be split into two parts. They closely follow the layout of type (i) Notes; after the heading and numbering there should be:

- (a) the Movers and text of the amendment
- (b) The cost and line to take expressed simply in such terms as "Resist - cost £5m"
- (c) A brief explanation of the purpose of the amendment
- (d) Speaking Notes
- (e) Background Note

An example of such a note is attached at Annex D.

#### 1.5 **Hints on Drafting**

In drafting Notes, the following points should be borne in mind.

- 1.51 Ministers have specifically asked that Notes be kept brief and to the point. Speaking Notes should be well signposted with the main points to be made in separate paragraphs and the first paragraph or so covering the main argument. Where the nature of a Clause or Schedule is such as to require a statement to be made in a precise form, this should be made clear in the Speaking Note and the precise form of words provided. It is also important to provide some defensive notes on likely Opposition views so that the Minister has something to refer to in replying to a debate.

1.52 A Background Note, if considered necessary, should give other relevant material. The aim here should be to distinguish the more important points, bringing these to the beginning of the note while relegating the less important matters to an annex. Again clear signposting is essential for Ministers to identify relevant points quickly in debate and if any information is given in the background note which is **NOT FOR USE IN DEBATE**, it should be clearly marked.

2. **DISTRIBUTION**

2.1 Both types of Note are distributed by Parliamentary Section to Treasury Ministers' offices and where appropriate, to those supporting Ministers as set out in Annex A to this note. 19 copies of each Note are required by Parliamentary Section. Where copies of Notes on more than one Clause or Amendment are sent to the Parliamentary Section together, they should not be collated into sets by the originator.

2.2 Distribution to other officials or offices of other Ministers should be undertaken by the originator of the Note in accordance with whatever arrangements may have been agreed departmentally or inter-departmentally. It should be noted, however, that in every case, copies should be sent to:

- Miss S Wallis - FP Treasury, 91/1, GOGGS ..... 2 copies
- Mr P Graham CB - Parliamentary Counsel, 36 Whitehall  
SW1A 2AY ..... 3 copies
- Miss Hughes - Legislative Draughtsman's Office  
Stormont, BELFAST  
BT5 3SW ..... 1 copy
- Mr G Kowalski - Lord Advocate's Department  
Fielden House,  
10 Great College Street ..... 1 copy



- 2.3 With Clauses etc to be taken in Committee of the Whole House, Parliamentary Section requires 400 copies of the first part of the Notes, preferably collated into sets. These are deposited in the Vote Office of the House of Commons, and available to MPs on request (their availability to Members is announced through an inspired PQ).
- 2.4 With Clauses etc and Government Amendments to be taken in Standing Committee, Parliamentary Section requires 45 copies of the first part of the Notes. Again it would be helpful, where Notes on more than one clause are sent simultaneously, if these could be collated into 45 sets. These are sent to Members serving on the Standing Committee.
- 2.5 When collating Members' sets on Notes on Clauses, Notes on Government amendments or Notes on Government New Clauses for Committee of the Whole House or Standing Committee, care must be taken to ensure that Part II Notes are NOT included.

### 3. TIMING

#### 3.1 Timetable

Currently, the tightest probable timetable for the passage of the Bill through the House of Commons is:-

Publication of Bill	9 April 1986
2nd Reading	28 April 1986
Committee of Whole House	5&6 May 1986
Standing Committee	12 May 1986
Report and 3rd Reading	8 July 1986

#### 3.2 Notes on Clauses and Schedules

Notes on Clauses and Schedules should be prepared and circulated at least one week before Committee Stage is due to start; and, ideally, prior to Second Reading.

### 3.3 Notes on New Clauses and Schedules and on Amendments

Notes on New Clauses and Schedules and on amendments should be prepared with all despatch. Priority should be given to Government and Opposition Front Bench amendments. Those remaining should be dealt with as quickly as possible bearing in mind the order in which the Clauses are to be taken by the House/Standing Committee.

3.31 The aim should be for all Notes relevant to the part of the Bill to be debated the following week to be received by Parliamentary Section by lunch-time Friday at the latest. This enables Ministers to read the bulk of the Notes during the weekend. It is appreciated that, although desirable, this will not always be possible eg in the case of Notes for amendments which first appear on the Order Paper on Friday morning. Ministers will of course wish to read such Notes as soon as they are available. Both for this reason and to avoid bottlenecks in typing and reproduction services, originators of Notes should send them to Parliamentary Section as soon as they are available.

### 4. OFFICIALS ON DUTY IN THE SPEAKER'S BOX

4.1 The Finance Bill debates can cover a lot of ground quickly and Ministers frequently require rapid advice from officials in the Box. Ministers of course differ in their style and preference and a word with each of the Private Secretaries is advisable, but, on the whole, Ministers have found it helpful if the following procedure is followed.

4.2 Officials should take the initiative in passing notes to the responsible Minister on the Treasury Bench, to help answer points made in the debate, especially those made from the Opposition Front Benches. They should always have available a spare set of the relevant duplicated Notes. These can be broken up, the relevant passage sidelined, the page torn out and handed to the

Parliamentary Private Secretary. This should be particularly helpful in the case of rather technical points dealt with in the middle of a long complex Note.

- 4.3 The above suggestion will reduce the need for manuscript notes, but these will still be required on occasion. Manuscript notes for Ministers should be clear, easily legible and short.
- 4.4 The Box is manned throughout by representatives of Treasury Private Offices and representatives of the departments responsible for the clause under discussion. The responsibility for briefing the Minister or for ensuring that advice is obtained rests with the senior official responsible for the clause under discussion. It is not the function of Private Secretaries to brief Ministers on how to reply to the debate.
- 4.5 Even though individual officials may not be on continuous duty in the Box, it is important that points raised in the debate that call for reply are noted and passed on. Ministers have expressed concern that they should have the opportunity to consider answering points raised during winding up speeches when appropriate.
- 4.6 Officials who are waiting at the Back-of-the-Chair for their turn to come on in the Box are requested to gather in a reasonably orderly manner, making use of the settees provided and not crowding the centre of the passageway to the inconvenience of Ministers and Members passing through.

## 5. **OFFICIALS ATTENDING STANDING COMMITTEE**

- 5.1 There have been a number of occasions recently where officials attending Standing Committees have been rebuked for failing to respect the rules of the Committee. While there is no evidence to suggest that officials attending in support of Treasury Ministers have been guilty, prudence suggests that the following guidance issued by the Public Bill Office should be drawn to the attention of officials prior to their attendance.

- 5.2 Officials attending Standing Committee may only sit on the dais to the right of the Chairman and in the seats provided in the corner at the far end of the dais.
- 5.3 While a committee is sitting they must enter or leave via the Chairman's Entrance and behind the Chairman. Under no circumstances may they enter any part of the body of the Committee Room.
- 5.4 Members of the Chairmen's Panel have expressed concern that only those officials absolutely necessary for a particular debate should be present. Large numbers of people sorting papers and moving about behind the Chairman can be extremely distracting.
- 5.5 If there is space, officials may of course use the public gallery in the usual way, although consideration should be given to the rights of access of the public and the press.

**PARLIAMENTARY CLERK'S REQUIREMENTS OF NOTES ON CLAUSES,  
SCHEDULES, NEW CLAUSES AND SCHEDULES, AND AMENDMENTS.**

Chancellor of the Exchequer .. .. .	1
Principal Private Secretary .. .. .	1
Chief Secretary to the Treasury . . . . .	1
Private Secretary . . . . .	1
Financial Secretary to the Treasury .. .. .	1
Private Secretary . . . . .	1
Economic Secretary to the Treasury . . . . .	1
Private Secretary . . . . .	1
Minister of State, Treasury .. .. .	1
Private Secretary . . . . .	1
Parliamentary Private Secretary . . . . .	1
Government Whip .. .. .	1
Mr J Williams - IDT . . . . .	1
Mr P Cropper .. .. .	1
Mr A Tyrie . . . . .	1
Spares to be held by Parliamentary Clerk . . . . .	4

<b>Total</b>	<u>19</u>	<b>copies</b>
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The nineteen copies of each Note for distribution by the Parliamentary Clerk are to be passed direct to him by originators.

The distribution of Notes to officials not listed above will be undertaken by the originator in accordance with arrangements made between the departments concerned.

## BOARD OF INLAND REVENUE

FINANCE BILL 1986

## CLAUSE 54

## CLAUSE 54: SMALL PART DISPOSALS

## SUMMARY

1. This clause increases the part of a holding of land which can be sold without giving rise to a charge to capital gains tax (CGT). The relief enables the proceeds from the sale to be deducted from the original cost of the holding, thus deferring any charge until disposal of the entire holding. At present, the relief applies where the part of the holding sold is "small" in value compared with the total holding - in practice, a figure of 5% is adopted for this purpose. The clause increases this percentage to 20% for disposals after 5 April 1986. The relief remains subject to an upper limit of £20,000 proceeds.

## DETAILS OF THE CLAUSE

2. Subsection (1) substitutes an amount of one-fifth for the existing reference to "small" in the conditions applying to the relief in section 107 of the Capital Gains Tax Act 1979.

3. Subsection (2) provides for the new limit to apply to disposals on or after 6 April 1986.

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## BOARD OF INLAND REVENUE

### PART II SPEAKING NOTES (NOT FOR CIRCULATION)

#### GENERAL NOTE

##### Present position

4. At present, a charge to CGT can be deferred when a "small" part of a holding of land is sold. By practice - and this applies generally wherever the word "small" is used in the tax code - a figure of 5% is adopted for this purpose. In effect, the relief defers the charge until the remaining land is sold.

5. This is essentially an administrative measure which removes the need for the valuation, and apportionment of the cost, of an entire holding of land at the time of the disposal of a small part of it.

##### Problem

6. The level of debt of UK agriculture has increased considerably in recent years. We have received representations to the effect that many farmers now need to reduce their indebtedness by disposing of part of their land. This disposal does not qualify for the CGT relief which is available when business assets are replaced. In an extreme case, when the tax charge is taken into account, so much land would need to be sold that the farm would cease to be viable.

7. The matter was discussed generally at the Committee Stage of the Finance Bill last year when we expressed sympathy for the objective but not the means which were then proposed for meeting it.

##### Proposal

8. The proposal in the clause will enable the CGT charge to be deferred where up to 20% of a holding of land is sold. In order that this should be primarily of benefit for relatively small holdings however, the present limit of £20,000 proceeds is to remain unchanged.

##### Cost

9. The cost will be about £m4 in 1987/88.

## BOARD OF INLAND REVENUE

### DEFENSIVE NOTES

#### Too small an increase?

10. The aim of the change is primarily to benefit the small and medium sized farmer while retaining the essential administrative character of the relief. The starting point for the maximum amount of relief will be brought down from a holding with a value of £400,000 to one with a value of £100,000.

#### Why not increase the upper limit of £20,000 proceeds?

11. The limit was increased (from £10,000) to its present level in 1984. We shall keep it under review but we must consider the position of farmers - and others with land and buildings who can benefit from the relief - in relation to other sectors of the economy.

#### Why not provide specific relief for problem of farm indebtedness?

12. This was debated at Committee Stage last year when the (then) Minister of State, outlined the difficulties of extending the replacement of business assets relief to meet this problem. The proposals in the clause go some way towards meeting the representations which were put to us on behalf of the farming organisations and, together with the other capital taxation changes, provide considerable assistance for the farming industry.

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/BACKGROUND NOTE



## BOARD OF INLAND REVENUE

### BACKGROUND NOTE

13. Section 107 CGTA provides that where land forming part of a holding is transferred the owner may claim that the disposal should not be treated as an occasion of charge but that the proceeds should reduce the allowable cost of the remainder of the land. At present, the relief is available where the value of the land disposed of is "small" in relation to the total value of land held (in practice 5% of value is taken as small); and the proceeds of sale do not exceed £20,000 (this was raised from £10,000 in 1984).

14. In effect, the relief defers the charge until the remaining land comprised in the particular holding - which may be less than the farm as a whole - is sold. It does not matter what the proceeds of the sale are used for.

#### Representations

15. The level of debt of UK agriculture has increased considerably in recent years, and the cost of servicing it has risen from £m50 in 1971 to £m126 in 1975 and to an estimated £m750 in 1985.

16. Representations to meet this problem were received this year from the National Farmers' Union (NFU), Country Landowners' Association (CLA) and the Farmers' Union of Wales. The NFU recommended, inter-alia, that relief should be available under section 107 where up to 10% of the holding was sold. The CLA continued to press for a more comprehensive relief - and this was the proposal discussed in Standing Committee last year - but also recommended an increase in the availability of the relief where up to 20% of a holding was sold, together with the abolition of the ceiling on proceeds.

17. In a recent announcement, the CLA expressed disappointment at the absence of specific measures to assist a reduction in farm indebtedness, but welcomed the proposal in the clause as making it "that little bit easier" to sell part of a farm to reduce borrowing.

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## BOARD OF INLAND REVENUE

FINANCE BILL 1986  
COMMITTEE

## Schedule 12

Amendment	Page	Line
* 268	136	24

Mr John MacGregor

(Norfolk S - Con)

Schedule 12, page 136, line 24, at end insert -

'(4A) For the purposes of sub-paragraph (4) above, where the previous trader's qualifying expenditure is an amount attributed to the purchased asset on a just and reasonable basis in accordance with paragraph 18(6) above, any allowances and any balancing charge made by reference to a greater amount of expenditure shall be apportioned on the like basis.'

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 PURPOSE OF THE AMENDMENT
Government amendment

1. This amendment introduces a new sub-paragraph (4A) in Paragraph 19 of Schedule 12 to provide a rule for apportioning residues of the previous trader's qualifying expenditure for the purposes of Paragraph 19. It is designed to cater for situations where something which is treated as a single asset in the hands of one trader is disposed of in separate parts to two or more different traders, and the qualifying expenditure itself falls to be apportioned on a just and reasonable basis under Paragraph 18(6).

2. The rule in the new sub-paragraph (4A) provides that where the previous trader's qualifying expenditure has been apportioned on a just and reasonable basis, the residue for the purposes of the second-hand cost restriction in Paragraph 19 can be apportioned on the same basis.

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## BOARD OF INLAND REVENUE

### PART II SPEAKING NOTES (NOT FOR CIRCULATION)

3. This amendment proposes to insert a new sub-paragraph (4A) into Paragraph 19 of Schedule 12, which restricts the buyer's allowances by reference to the previous trader's residue of expenditure, which is arrived at by adjusting the previous trader's qualifying expenditure for allowances and charges made under the new rules. The purpose of the new sub-paragraph (4A) is to provide that the residue of the previous trader's qualifying expenditure may be apportioned on a just and reasonable basis where amount the to which it relates has likewise been apportioned.

4. This new rule is necessary where a single asset is sold to two or more other traders, and the residue has to be apportioned between the purchasers.

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CUSTOMS AND EXCISE

FINANCE BILL 1986  
STANDING COMMITTEE

SCHEDULE 3

Amendment Page Line  
27 88 7

Mr Terry Davis (Birmingham, Hodge Hill - Lab)  
Dr Oonagh McDonald (Thurrock - Lab)  
Mr Tony Blair (Sedgefield - Lab)

Schedule 3, page 88, line 7, leave out paragraph 3

## PURPOSE OF THE AMENDMENT

Cost: Nil-RESIST

1. The amendment would restrict the Department's ability to deal with goods which are not in warehouse, but within the warehousing regime.

## NOTES FOR USE IN DEBATE

2. There is a link between paragraphs 2 and 3 of the Schedule. The provision is also included to clarify the existing law so that the Commissioners have adequate powers to treat goods which are not in warehouse as though they were in warehouse.

3. In addition to revenue considerations, the Department needs to be able to operate flexibly for the benefit of the trade. For example, it allows for changed circumstances such as a trader wishing to alter the destination of goods and pay duty on them instead of delivering to warehouse as originally intended.

1. MISS SINCLAIR
2. CHIEF SECRETARY

Although the date for  
publication of the Finance  
Bill, shown as Thursday 9  
April in Annex 1, Wednesday  
8 April looks feasible if  
you prefer.

lms  
19/2

FROM: D N WALTERS  
DATE: 19 FEBRUARY 1987

cc Chancellor of the Exchequer  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Mr Cassell  
Mr Scholar  
Mr Culpin  
Miss O'Mara  
Mr Dyer  
Mr Haigh  
Mr Romanski  
Mr Johns - IR  
Mr Wilmott - C&E  
Mr Graham - Parly Counsel

### 1987 FINANCE BILL: TIMETABLE

This submission sets out a provisional timetable for this year's Finance Bill. It has been prepared in consultation with the Parliamentary Clerk, Information Division, the Revenue Departments and Parliamentary Counsel. 2. The proposed timetable (set out in Annex 1) allows for some flexibility for eg final decisions on the contents of the Bill and the need to settle for longer than anticipated Committee Stages.

#### Publication and Second Reading

3. Under the Provisional Collection of Taxes Act 1968, the Bill must be read a second time within 25 sitting days of Budget day if a Resolution is passed under Section 5 of the Act (which gives immediate effect to changes in eg excise duties). Account must also be taken of the convention (unbroken, excluding Election years, since 1978) of at least two weekends between publication and Second Reading.

4. Budget day is 17 March. We aim to publish the Bill on Thursday 9 April (with delivery by Parliamentary Counsel to the House Authorities by Friday 3 April). Last year for presentational reasons, you sought a Wednesday publication. HMSO advise that while they could meet such a remit again this year they would do so reluctantly since it would leave little room for manoeuvre should problems arise with their new computer. For Easter Recess, the House is expected to rise on 9 April and return on 21 April.

## CONFIDENTIAL

5. Under the 25 day rule, the latest date for Second Reading is Thursday 30 April. However, the earlier it takes place, the sooner Committee can start. Since it does not breach the two weekend convention, we propose Second Reading on Tuesday 28 April.

6. While technically Second Reading could be brought forward to the previous week (ie after the House returns on 21 April) this could lead to unnecessary complications. It would leave very little time to discuss the split of the Bill at Committee Stage with the Opposition and to move the subsequent committal motion and could lead to criticism from other Members about the rushed timetable. This could in turn again affect the negotiations with the Opposition.

### Committee Stage

7. The convention is to allow two weeks between Second Reading and Committee of the Whole House (CWH) in order to allow time for amendments to be tabled. But the convention is a relaxed one as was demonstrated in 1985 and 1986 when CWH began one week after Second Reading (see Annex 2). This did not give rise to any comment.

8. Duration of Committee Stage and the split between CWH and Standing Committee will, as mentioned above, need to be negotiated with the Opposition during the week starting Tuesday 21 April. This will allow the committal motion specifying the split of the Bill to appear at least two sitting days before Second Reading.

9. In 1986 two days were required for CWH and 10 days for Standing Committee. The published Bill was 200 pages long, equivalent to 150 pages in the new A4 format. At present our best estimate for the length of this year's Bill is 135 A4 pages though this may, of course, grow. Two days for CWH is short in comparison with the average requirement since 1971 but there seems no reason to believe that longer will be needed this year than last; a slightly shorter stint than in 1986 might be possible upstairs. Negotiations might start from a 2/9 allocation with 3 days in CWH and 10-12 days upstairs as a "worst case" result.

10. On this basis CWH might start on Tuesday 5 May with Standing Committee beginning on Tuesday 12 May. Subsequent sittings would then need to take account of the Whitsun recess - House expected to rise on 22 May and to return on 1 June.

### Subsequent Stages

11. There should be two weeks between the conclusion of Committee Stage and Third Reading to enable the Revenue Departments and Parliamentary Counsel to prepare

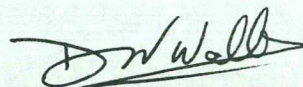
amendments which incorporate Ministers' final decisions into the Bill. Report and Third Reading have not needed more than two days since 1981 and there seems no reason to believe that this should not suffice again this year. However the timetable at Annex 1 allows for a third day if required.

12. If Standing Committee takes only 9 or 10 days, it would be possible to begin Report Stage on 7 July. If Standing Committee runs on for 11/12 days, Report will start on 14 July.

13. The House of Lords' stages take 1 day and must be completed to allow Royal Assent by 5 August when authority to collect taxes under the Provisional Collection of Taxes Act expires. The usual practice is to take the Lords' stage on a day in the last fortnight of July.

**Conclusion**

14. I should be grateful to know if you are content with the timetable as set out in Annex 1 and described above. In particular, are you content that, as in 1985 and 1986, the Committee of the Whole House should begin one week after Second Reading?



D N WALTERS

1987 FINANCE BILL: PROVISIONAL TIMETABLE

<u>Date</u>	<u>Finance Bill</u>	<u>Other Key Dates</u>
<b><u>MARCH</u></b>		
Tuesday 17	<u>Budget Day</u>	
Wednesday 18	)	
Thursday 19	) Budget debates	
Monday 23	)	
<b><u>APRIL</u></b>		
Friday 3	Bill handed to House by Parliamentary Counsel	
Thursday 9	<u>Bill published</u>	3 to 5 Informal ECOFIN 6 to 13 IMF/IBRD (provisional dates)
Thursday 9	Easter Recess: House expected to rise	
Tuesday 21	Easter Recess: House expected to return	
Wednesday 22	Discuss Committee Stage split with Opposition	
Tuesday 28	<u>Second Reading</u> (Committal motion is moved at conclusion of 2nd Reading debate)	
<b><u>MAY</u></b>		
Monday 4	May day holiday	
Tuesday 5	<u>Committee of Whole House (CWH): 1st day</u>	
Wednesday 6	CWH: 2nd day	6 NEDC
Thursday 7	CWH: 3rd day (if required)	7 Local elections day
Monday 11	[CWH: 4th day in reserve]	11 ECOFIN
Tuesday 12	<u>Standing Committee (SC): 1st day</u>	12 OECD
Thursday 14	SC: 2nd day	13 to 15 Scottish Conservative Party Conference
Tuesday 19	SC: 3rd day	
Thursday 21	SC: 4th day	
Friday 22	Whit sun Recess: House expected to rise	



DateFinance BillOther Key DatesDateJUNE

Monday 1	Whitsun Recess: House expected to return		
Tuesday 2	SC: 5th day	3	NEDC
Thursday 4	SC: 6th day		
Tuesday 9	SC: 7th day	8 to 10	Economic Summit
Thursday 11	SC: 8th day		
Tuesday 16	SC: 9th day	15	ECO_FIN
Thursday 18	SC: 10th day		
Tuesday 23	SC: 11th day (if required)		
Thursday 25	SC: 12th day (if required)		

JULY

Tuesday 14	<u>Report Stage (RS) and Third Reading:</u> 1st day	1	NEDC
Wednesday 15	RS: 2nd day	13	ECOFIN
Thursday 16	RS: 3rd day (if required)		
Week beginning Monday 20	<u>Lords Stage</u>		

AUGUST

Not later than Wednesday 5	<u>Royal Assent</u>		
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YEAR	EASTER SUNDAY	BUDGET DAY	BILL PUBLISHED	2ND READING	COMMITTEE				REPORT		3RD READING	LORDS	PAGES		DAYS BUDGET TO 3RD READING	COMMENTS
					WHOLE HOUSE		STANDING		BEGAN	DAYS			BILL	ACT		
					BEGAN	DAYS	DAYS	ENDED								
1971	11 APR	30 MAR	20 APR	28 APR	11 MAY	4	7	21 JUN	5 JUL	3	7 JUL	21 JUL	119	130	99	
1972	1 APR	21 MAR	11 APR	20 APR	9 MAY	6	15	28 JUN	10 JUL	3	19 JUL	26 JUL	204	223	120	
1973	22 APR	6 MAR	23 MAR	2 APR	10 APR	2	7	23 MAY	10 JUL	1	11 JUL	24 JUL	92	116	127	
1974	14 APR	26 MAR	26 APR	9 MAY	16 MAY	5	8	2 JUL	16 JUL	3	22 JUL	30 JUL	93	122	118	POST-ELECTION
1974	-	12 NOV	10 DEC	17 DEC	15 JAN (1975)	3	12	18 FEB (1975)	4 MAR (1975)	4	10 MAR (1975)	13 MAR (1975)	130	157	108	WINTER BUDGET
1975	30 MAR	15 APR	29 APR	8 MAY	15 MAY	3	8	3 JUL	16 JUL	2	17 JUL	31 JUL	110	122	93	
1976	18 APR	6 APR	15 APR	3 MAY	11 MAY	3	13	1 JUL	13 JUL	3	19 JUL	27 JUL	144	179	105	
1977	10 APR	29 MAR	19 APR	28 APR	9 MAY	3	8	23 JUN	14 JUL	3	25 JUL	28 JUL	78	88	128	
1978	26 MAR	11 APR	20 APR	27 APR	8 MAY	3	10	27 JUN	5 JUL	4	13 JUL	31 JUL	91	108	93	
1979	-	12 JUN	21 JUN	27 JUN	3 JUL	5	-	-	18 JUL	1	18 JUL	24 JUL	22	22	36	POST-ELECTION
1980	6 APR	26 MAR	17 APR	8 MAY	2 JUN	3	10	3 JUL	16 JUL	2	17 JUL	31 JUL	142	176	113	
1981	19 APR	10 MAR	3 APR	13 APR	30 APR	5	11	30 JUN	14 JUL	3	20 JUL	24 JUL	195	218	132	
1982	11 APR	9 MAR	26/30 MAR	6 APR	22 APR	4	11	24 JUN	12 JUL	2	13 JUL	20 JUL	189	256	126	
1983	4 APR	15 MAR	31 MAR	14 APR	25 APR	4	-	-	-	-	11 MAY	12 MAY	164	79	56	PRE-ELECTION
1984	22 APR	13 MAR	29 MAR	10 APR	30 APR	3	13	26 JUN	10 JUL	2	11 JUL	25 JUL	223	262	120	
1985	7 APR	19 MAR	16 APR	29 APR	7 MAY	2	9	18 JUN	9 JUL	2	10 JUL	23 JUL	199	242	113	
1986	30 MAR	18 MAR	16 APR	29 APR	6 MAY	2	10	19 JUN	8 JUL	2	17 JUL	25 JUL	200	265	121	

CONFIDENTIAL

FROM: D N WALTERS  
DATE: 19 FEBRUARY 1987

- 1. MISS SINCLAIR
- 2. CHIEF SECRETARY

Although <sup>the</sup> date for publication of the Finance Bill, shown as Thursday 9 April in Annex 1, Wednesday 8 April looks feasible if you prefer.

DM  
19/2

- cc ✓ Chancellor of the Exchequer
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr Cassell
- Mr Scholar
- Mr Culpin
- Miss O'Mara
- Mr Dyer
- Mr Haigh
- Mr Romanski
- Mr Johns - IR
- Mr Wilmott - C&E
- Mr Graham - Parly Counsel

C,  
CST will raise this at Prayers.  
JC.

[Need to speak with... 20/7.]

**1987 FINANCE BILL: TIMETABLE**

This submission sets out a provisional timetable for this year's Finance Bill. It has been prepared in consultation with the Parliamentary Clerk, Information Division, the Revenue Departments and Parliamentary Counsel. 2. The proposed timetable (set out in Annex 1) allows for some flexibility for eg final decisions on the contents of the Bill and the need to settle for longer than anticipated Committee Stages.

**Publication and Second Reading**

3. Under the Provisional Collection of Taxes Act 1968, the Bill must be read a second time within 25 sitting days of Budget day if a Resolution is passed under Section 5 of the Act (which gives immediate effect to changes in eg excise duties). Account must also be taken of the convention (unbroken, excluding Election years, since 1978) of at least two weekends between publication and Second Reading.

4. Budget day is 17 March. We aim to publish the Bill on Thursday 9 April (with delivery by Parliamentary Counsel to the House Authorities by Friday 3 April). Last year for presentational reasons, you sought a Wednesday publication. HMSO advise that while they could meet such a remit again this year they would do so reluctantly since it would leave little room for manoeuvre should problems arise with their new computer. For Easter Recess, the House is expected to rise on 9 April and return on 21 April.

7. 8 April

5. Under the 25 day rule, the latest date for Second Reading is Thursday 30 April. However, the earlier it takes place, the sooner Committee can start. Since it does not breach the two weekend convention, we propose Second Reading on Tuesday 28 April.

6. While technically Second Reading could be brought forward to the previous week (ie after the House returns on 21 April) this could lead to unnecessary complications. It would leave very little time to discuss the split of the Bill at Committee Stage with the Opposition and to move the subsequent committal motion and could lead to criticism from other Members about the rushed timetable. This could in turn again affect the negotiations with the Opposition.

### Committee Stage

7. The convention is to allow two weeks between Second Reading and Committee of the Whole House (CWH) in order to allow time for amendments to be tabled. But the convention is a relaxed one as was demonstrated in 1985 and 1986 when CWH began one week after Second Reading (see Annex 2). This did not give rise to any comment.

8. Duration of Committee Stage and the split between CWH and Standing Committee will, as mentioned above, need to be negotiated with the Opposition during the week starting Tuesday 21 April. This will allow the committal motion specifying the split of the Bill to appear at least two sitting days before Second Reading.

9. In 1986 two days were required for CWH and 10 days for Standing Committee. The published Bill was 200 pages long, equivalent to 150 pages in the new A4 format. At present our best estimate for the length of this year's Bill is 135 A4 pages though this may, of course, grow. *W Wm Shawk!* Two days for CWH is short in comparison with the average requirement since 1971 but there seems no reason to believe that longer will be needed this year than last; a slightly shorter stint than in 1986 might be possible upstairs. Negotiations might start from a 2/9 allocation with 3 days in CWH and 10-12 days upstairs as a "worst case" result.

10. On this basis CWH might start on Tuesday 5 May with Standing Committee beginning on Tuesday 12 May. Subsequent sittings would then need to take account of the Whitsun recess - House expected to rise on 22 May and to return on 1 June.

### Subsequent Stages

11. There should be two weeks between the conclusion of Committee Stage and Third Reading to enable the Revenue Departments and Parliamentary Counsel to prepare

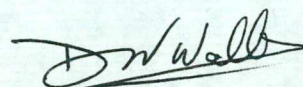
amendments which incorporate Ministers' final decisions into the Bill. Report and Third Reading have not needed more than two days since 1981 and there seems no reason to believe that this should not suffice again this year. However the timetable at Annex 1 allows for a third day if required.

12. If Standing Committee takes only 9 or 10 days, it would be possible to begin Report Stage on 7 July. If Standing Committee runs on for 11/12 days, Report will start on 14 July.

13. The House of Lords' stages take 1 day and must be completed to allow Royal Assent by 5 August when authority to collect taxes under the Provisional Collection of Taxes Act expires. The usual practice is to take the Lords' stage on a day in the last fortnight of July.

### Conclusion

14. I should be grateful to know if you are content with the timetable as set out in Annex 1 and described above. In particular, are you content that, as in 1985 and 1986, the Committee of the Whole House should begin one week after Second Reading?



D N WALTERS

1987 FINANCE BILL: PROVISIONAL TIMETABLE

<u>Date</u>	<u>Finance Bill</u>	<u>Other Key Dates</u>
<b><u>MARCH</u></b>		
Tuesday 17	<u>Budget Day</u>	
Wednesday 18	)	
Thursday 19	) Budget debates	
Monday 23	)	
<b><u>APRIL</u></b>		
Friday 3	Bill handed to House by Parliamentary Counsel	
Thursday 9	<u>Bill published</u>	3 to 5 Informal ECOFIN 6 to 13 IMF/IBRD (provisional dates)
Thursday 9	Easter Recess: House expected to rise	
Tuesday 21	Easter Recess: House expected to return	
Wednesday 22	Discuss Committee Stage split with Opposition	
Tuesday 28	<u>Second Reading</u> (Committal motion is moved at conclusion of 2nd Reading debate)	
<b><u>MAY</u></b>		
Monday 4	May day holiday	
Tuesday 5	<u>Committee of Whole House (CWH): 1st day</u>	
Wednesday 6	CWH: 2nd day	6 NEDC
Thursday 7	CWH: 3rd day (if required)	7 Local elections day
Monday 11	[CWH: 4th day in reserve]	11 ECOFIN
Tuesday 12	<u>Standing Committee (SC): 1st day</u>	12 OECD
Thursday 14	SC: 2nd day	13 to 15 Scottish Conservative Party Conference
Tuesday 19	SC: 3rd day	
Thursday 21	SC: 4th day	
Friday 22	Whit_sun Recess: House expected to rise	

Date

Finance Bill

Other Key Dates

Date

JUNE

Monday 1	Whitsun Recess: House expected to return		
Tuesday 2	SC: 5th day	3	NEDC
Thursday 4	SC: 6th day		
Tuesday 9	SC: 7th day	8 to 10	Economic Summit
Thursday 11	SC: 8th day		
Tuesday 16	SC: 9th day	15	ECO_FIN
Thursday 18	SC: 10th day		
Tuesday 23	SC: 11th day (if required)		
Thursday 25	SC: 12th day (if required)		

JULY

Tuesday 14	<u>Report Stage (RS) and Third Reading:</u> 1st day	1	NEDC
Wednesday 15	RS: 2nd day	13	ECOFIN
Thursday 16	RS: 3rd day (if required)		
Week beginning			
Monday 20	<u>Lords Stage</u>		

AUGUST

Not later than			
Wednesday 5	<u>Royal Assent</u>		

YEAR	EASTER SUNDAY	BUDGET DAY	BILL PUBLISHED	2ND READING	COMMITTEE				REPORT		3RD READING	LORDS	PAGES		DAYS BUDGET TO 3RD READING	COMMENTS
					WHOLE HOUSE		STANDING		BEGAN	DAYS			BILL	ACT		
					BEGAN	DAYS	DAYS	ENDED								
1971	11 APR	30 MAR	20 APR	28 APR	11 MAY	4	7	21 JUN	5 JUL	3	7 JUL	21 JUL	119	130	99	
1972	1 APR	21 MAR	11 APR	20 APR	9 MAY	6	15	28 JUN	10 JUL	3	19 JUL	26 JUL	204	223	120	
1973	22 APR	6 MAR	23 MAR	2 APR	10 APR	2	7	23 MAY	10 JUL	1	11 JUL	24 JUL	92	116	127	
1974	14 APR	26 MAR	26 APR	9 MAY	16 MAY	5	8	2 JUL	16 JUL	3	22 JUL	30 JUL	93	122	118	POST-ELECTION
1974	-	12 NOV	10 DEC	17 DEC	15 JAN (1975)	3	12	18 FEB (1975)	4 MAR (1975)	4	10 MAR (1975)	13 MAR (1975)	130	157	108	WINTER BUDGET
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1977	10 APR	29 MAR	19 APR	28 APR	9 MAY	3	8	23 JUN	14 JUL	3	25 JUL	28 JUL	78	88	128	
1978	26 MAR	11 APR	20 APR	27 APR	8 MAY	3	10	27 JUN	5 JUL	4	13 JUL	31 JUL	91	108	93	
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1986	30 MAR	18 MAR	16 APR	29 APR	6 MAY	2	10	19 JUN	8 JUL	2	17 JUL	25 JUL	200	265	121	



CONFIDENTIAL

*put*



FROM: JILL RUTTER  
DATE: 23 February 1987

MR WALTERS

*\*\*  
From ACSA to Jill Rutter*

*Ch has seen your minute of 23/2.  
He wd rather aim for 2<sup>nd</sup> Reading on  
23 April. This wd still maintain the  
two-week convention between publication  
& 2<sup>nd</sup> Reading, while allowing us to  
depart the two-week convention between  
2<sup>nd</sup> Reading & Comm. Given the local  
elections on 7 May, it is essential that we*

- cc:
- Chancellor
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr Cassell
- Mr Scholar
- Mr Culpin
- Miss O'Mara
- Miss Sinclair
- Mr Dyer
- Mr Haigh
- Mr Romanski
- Mr Johns - IR
- Mr Wilmott - C & E
- Mr Graham - Parly Counsel

1987 FINANCE BILL: TIMETABLE *are able to debate a clause of our choice  
not later than 5 May. This consideration*

The Chief Secretary has seen your minute of 19 February. *min. govern  
the entire public  
timetable.*

2 The Chief Secretary is content with 9 April as the date of the publication of the Finance Bill and 28 April for Second Reading.

3 More generally he has commented that he would like to have as swift a timetable as possible this year, getting the House of Lords stage complete as early as we can. He would therefore wish to aim earlier than 20 July.

4 We will aim to set up a meeting with the Opposition on 21 or 22 April to discuss the split.

JILL RUTTER  
Private Secretary

CONFIDENTIAL



FROM: A C S ALLAN  
DATE: 24 February 1987

*pur*

PS/CHIEF SECRETARY

cc PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Scholar  
Mr Dyer  
Mr Graham - Parly Counsel

**1987 FINANCE BILL: TIMETABLE**

The Chancellor has seen your minute of 23 February to Mr Walters. He would rather aim for second reading on 23 April. This would still maintain the two weekend convention between publication and second reading, while allowing us to observe the two weekend convention between second reading and Committee. Given the local election on 7 May, he feels it is essential that we are able to debate a clause of our choice not later than 5 May. This consideration must govern the entire preceding timetable.

*ACSA*

A C S ALLAN

Covering CONFIDENTIAL



01-270 4520

 FROM: B O DYER  
 DATE: 24 FEBRUARY 1987

 1. Cathy  
 2. RJP

MR M D R HAIGH - FP  
 MR K M ROMANSKI - FP  
 PS/HMCE (3 copies)  
 PS/IR (3 copies)

cc Principal Private Secretary  
 PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Economic Secretary  
 PS/Minister of State  
 Mr F Cassell  
 Mr M C Scholar  
 Miss C E C Sinclair  
 Miss C Evans  
 Mr P Graham - Parliamentary  
 Counsel  
 Miss Hughes - Legislative  
 Draftsman's Office, NI  
 Mr G Kowalski - Lord Advocate's  
 Department, SO  
 Mr M L Saunders - Law Officer's  
 Dept

#### FINANCE BILL 1987: GUIDANCE FOR OFFICIALS

Appended below are the customary guidance notes on the handling of the Finance Bill - timing and drafting of notes on clauses, amendments etc.

2. The guidance for officials is, with a few minor amendments, the same as that issued last year. It has also been cleared with Ministers' Private Offices.

3. I would draw attention in particular to Section 3 of the guidance, which sets out the probable (rather tight) timetable to which we may have to work.

4. Further guidance will be issued if necessary and appropriate - eg should the timetable for the Bill alter significantly (there is ever in the wings the possibility of a Spring Election). In the meantime, any queries on the mechanics, circulation of notes etc should be directed to Richard Savage on 270-5006 or Federal 2623.

A handwritten signature in black ink, appearing to read 'B. O. Dyer'.

B O DYER

Parliamentary Clerk

**GUIDANCE TO OFFICIALS ON FINANCE BILL 1987****CONTENTS**

<b>Section</b>	<b>Subject</b>
1.	Notes
2.	Distribution
3.	Timing
4.	Officials on duty in the Speaker's Box
5.	Officials attending Standing Committee.

**Annex**

A.	Parliamentary Clerk's Requirements
B.	Example of a Note Clause
C.	Example of a Note on Amendment
D.	Example of a Note on a non-Government amendment.

**FINANCE BILL 1987****1. NOTES****1.1 Types**

There are two types of Note on a Finance Bill:

(i) Notes on Clauses, Schedules, Government Amendments, Government New Clauses New Schedules and any associated Resolutions; and

(ii) Notes on other (non-Government) amendments and other New Clauses and New Schedules.

**1.2 Heading and Numbering**

All Notes should be headed and numbered in the top right hand corner. In the case of Notes on Clauses produced for the Bill as first published, these need only indicate 'Finance Bill 1987' and the Clause/Schedule number; all other notes should indicate 'Finance Bill 1987', the stage of the Bill ie Committee of the Whole House, Committee Stage or Report Stage, the number of the Clause/Schedule/New Clause and the amendment number, plus (if appropriate) the page and line of the Bill being amended.

**1.3 Type (i)**

These should comprise two parts: the first part of the Note - which should not be numbered as Part I - should contain a short note on the purpose of the Clause or amendment, followed, if necessary, by more detailed explanation, which should be factual and as succinct as is consistent with comprehensibility; the second part, which should start on a separate sheet of paper, should be numbered Part II and clearly marked 'Speaking Notes (Not for circulation)'. Examples of type (i) Notes are appended at Annexes B and C. The reason for dividing the Note into two is because copies of the first part are distributed to Members of the Standing Committee and to MPs generally for Clauses taken in Committee and

the Whole House (see Section 2 on Distribution).

NB. Where substantial amendments to a Clause or Schedule are proposed by the Government, the first part of the Note should also include a retype of the Clause or Schedule showing how it would look if all the Government amendments were to be agreed.

#### 1.4 **Type (ii)**

These are for use by Ministers only and do not therefore need to be split into two parts. They closely follow the layout of type (i) Notes; after the heading and numbering there should be:

- (a) the Movers and text of the amendment
- (b) The cost and line to take expressed simply in such terms as "Resist - cost £5m"
- (c) A brief explanation of the purpose of the amendment
- (d) Speaking Notes
- (e) Background Note

An example of such a note is attached at Annex D.

#### 1.5 **Hints on Drafting**

In drafting Notes, the following points should be borne in mind.

- 1.51 Ministers have specifically asked that Notes be kept brief and to the point. Speaking Notes should be well signposted with the main points to be made in separate paragraphs and the first paragraph or so covering the main argument. Where the nature of a Clause or Schedule is such as to require a statement to be made in a precise form, this should be made clear in the Speaking Note and the precise form of words provided. It is also important to provide some defensive notes on likely Opposition views so that the Minister has something to refer to in replying to a debate.

1.52 A Background Note, if considered necessary, should give other relevant material. The aim here should be to distinguish the more important points, bringing these to the beginning of the note while relegating the less important matters to an annex. Again clear signposting is essential for Ministers to identify relevant points quickly in debate and if any information is given in the background note which is **NOT FOR USE IN DEBATE**, it should be clearly marked.

## 2. DISTRIBUTION

2.1 Both types of Note are distributed by Parliamentary Section to Treasury Ministers' offices and where appropriate, to those supporting Ministers as set out in Annex A to this note. 19 copies of each Note are required by Parliamentary Section. Where copies of Notes on more than one Clause or Amendment are sent to the Parliamentary Section together, they should not be collated into sets by the originator.

2.2 Distribution to other officials or offices of other Ministers should be undertaken by the originator of the Note in accordance with whatever arrangements may have been agreed departmentally or inter-departmentally. It should be noted, however, that in every case, copies should be sent to:

Miss S Wallis - FP Treasury, 91/1, GOGGS .....	2 copies
Mr P Graham CB - Parliamentary Counsel, 36 Whitehall SW1A 2AY .....	3 copies
Miss Hughes - Legislative Draughtsman's Office Stormont, BELFAST BT5 3SW .....	1 copy
Mr G Kowalski - Lord Advocate's Department Fielden House, 10 Great College Street .....	1 copy

- 2.3 With Clauses etc to be taken in Committee of the Whole House, Parliamentary Section requires 400 copies of the first part of the Notes, preferably collated into sets. These are deposited in the Vote Office of the House of Commons, and available to MPs on request (their availability to Members is announced through an inspired PQ).
- 2.4 With Clauses etc and Government Amendments to be taken in Standing Committee, Parliamentary Section requires 45 copies of the first part of the Notes. Again it would be helpful, where Notes on more than one clause are sent simultaneously, if these could be collated into 45 sets. These are sent to Members serving on the Standing Committee.
- 2.5 When collating Members' sets on Notes on Clauses, Notes on Government amendments or Notes on Government New Clauses for Committee of the Whole House or Standing Committee, care must be taken to ensure that Part II Notes are NOT included.

### 3. **TIMING**

#### 3.1 **Timetable**

Currently, the tightest probable timetable for the passage of the Bill through the House of Commons is:-

Publication of Bill	9 April 1987
2nd Reading	28 April 1987
Committee of Whole House	5&6 May 1987
Standing Committee	12 May 1987
Report and 3rd Reading	7 July 1987

#### 3.2 **Notes on Clauses and Schedules**

Notes on Clauses and Schedules should be prepared and circulated at least one week before Committee Stage is due to start; and, ideally, prior to Second Reading.



### 3.3 Notes on New Clauses and Schedules and on Amendments

Notes on New Clauses and Schedules and on amendments should be prepared with all despatch. Priority should be given to Government and Opposition Front Bench amendments. Those remaining should be dealt with as quickly as possible bearing in mind the order in which the Clauses are to be taken by the House/Standing Committee.

- 3.31 The aim should be for all Notes relevant to the part of the Bill to be debated the following week to be received by Parliamentary Section by lunch-time Friday at the latest. This enables Ministers to read the bulk of the Notes during the weekend. It is appreciated that, although desirable, this will not always be possible eg in the case of Notes for amendments which first appear on the Order Paper on Friday morning. Ministers will of course wish to read such Notes as soon as they are available. Both for this reason and to avoid bottlenecks in typing and reproduction services, originators of Notes should send them to Parliamentary Section as soon as they are available.

#### 4. OFFICIALS ON DUTY IN THE SPEAKER'S BOX

- 4.1 The Finance Bill debates can cover a lot of ground quickly and Ministers frequently require rapid advice from officials in the Box. Ministers of course differ in their style and preference and a word with each of the Private Secretaries is advisable, but, on the whole, Ministers have found it helpful if the following procedure is followed.
- 4.2 Officials should take the initiative in passing notes to the responsible Minister on the Treasury Bench, to help answer points made in the debate, especially those made from the Opposition Front Benches. They should always have available a spare set of the relevant duplicated Notes. These can be broken up, the relevant passage sidelined, the page torn out and handed to the

Parliamentary Private Secretary. This should be particularly helpful in the case of rather technical points dealt with in the middle of a long complex Note.

- 4.3 The above suggestion will reduce the need for manuscript notes, but these will still be required on occasion. Manuscript notes for Ministers should be clear, easily legible and short.
- 4.4 The Box is manned throughout by representatives of Treasury Private Offices and representatives of the departments responsible for the clause under discussion. The responsibility for briefing the Minister or for ensuring that advice is obtained rests with the senior official responsible for the clause under discussion. It is not the function of Private Secretaries to brief Ministers on how to reply to the debate.
- 4.5 Even though individual officials may not be on continuous duty in the Box, it is important that points raised in the debate that call for reply are noted and passed on. Ministers have expressed concern that they should have the opportunity to consider answering points raised during winding up speeches when appropriate.
- 4.6 Officials who are waiting at the Back-of-the-Chair for their turn to come on in the Box are requested to gather in a reasonably orderly manner, making use of the settees provided and not crowding the centre of the passageway to the inconvenience of Ministers and Members passing through.

## 5. OFFICIALS ATTENDING STANDING COMMITTEE

- 5.1 There have been a number of occasions recently where officials attending Standing Committees have been rebuked for failing to respect the rules of the Committee. While there is no evidence to suggest that officials attending in support of Treasury Ministers have been guilty, prudence suggests that the following guidance issued by the Public Bill Office should be drawn to the attention of officials prior to their attendance.

- 5.2 Officials attending Standing Committee may only sit on the dais to the right of the Chairman and in the seats provided in the corner at the far end of the dais.
- 5.3 While a committee is sitting they must enter or leave via the Chairman's Entrance and behind the Chairman. Under no circumstances may they enter any part of the body of the Committee Room.
- 5.4 Members of the Chairmen's Panel have expressed concern that only those officials absolutely necessary for a particular debate should be present. Large numbers of people sorting papers and moving about behind the Chairman can be extremely distracting.
- 5.5 If there is space, officials may of course use the public gallery in the usual way, although consideration should be given to the rights of access of the public and the press.

**PARLIAMENTARY CLERK'S REQUIREMENTS OF NOTES ON CLAUSES,  
SCHEDULES, NEW CLAUSES AND SCHEDULES, AND AMENDMENTS.**

Chancellor of the Exchequer .. .. .	1
Principal Private Secretary .. .. .	1
Chief Secretary to the Treasury . . . . .	1
Private Secretary . . . . .	1
Financial Secretary to the Treasury .. .. .	1
Private Secretary . . . . .	1
Economic Secretary to the Treasury . . . . .	1
Private Secretary . . . . .	1
Minister of State, Treasury .. .. .	1
Private Secretary . . . . .	1
Parliamentary Private Secretary . . . . .	1
Government Whip .. .. .	1
Mr J Williams - IDT . . . . .	1
Mr P Cropper .. .. .	1
Mr A Tyrie . . . . .	1
Spares to be held by Parliamentary Clerk . . . . .	4

<b>Total</b>	<u>19</u>	<b>copies</b>
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The nineteen copies of each Note for distribution by the Parliamentary Clerk are to be passed direct to him by originators.

The distribution of Notes to officials not listed above will be undertaken by the originator in accordance with arrangements made between the departments concerned.

## BOARD OF INLAND REVENUE

FINANCE BILL 1986

## CLAUSE 54

## CLAUSE 54: SMALL PART DISPOSALS

## SUMMARY

1. This clause increases the part of a holding of land which can be sold without giving rise to a charge to capital gains tax (CGT). The relief enables the proceeds from the sale to be deducted from the original cost of the holding, thus deferring any charge until disposal of the entire holding. At present, the relief applies where the part of the holding sold is "small" in value compared with the total holding - in practice, a figure of 5% is adopted for this purpose. The clause increases this percentage to 20% for disposals after 5 April 1986. The relief remains subject to an upper limit of £20,000 proceeds.

## DETAILS OF THE CLAUSE

2. Subsection (1) substitutes an amount of one-fifth for the existing reference to "small" in the conditions applying to the relief in section 107 of the Capital Gains Tax Act 1979.

3. Subsection (2) provides for the new limit to apply to disposals on or after 6 April 1986.

---

## BOARD OF INLAND REVENUE

### PART II SPEAKING NOTES (NOT FOR CIRCULATION)

#### GENERAL NOTE

##### Present position

4. At present, a charge to CGT can be deferred when a "small" part of a holding of land is sold. By practice - and this applies generally wherever the word "small" is used in the tax code - a figure of 5% is adopted for this purpose. In effect, the relief defers the charge until the remaining land is sold.

5. This is essentially an administrative measure which removes the need for the valuation, and apportionment of the cost, of an entire holding of land at the time of the disposal of a small part of it.

##### Problem

6. The level of debt of UK agriculture has increased considerably in recent years. We have received representations to the effect that many farmers now need to reduce their indebtedness by disposing of part of their land. This disposal does not qualify for the CGT relief which is available when business assets are replaced. In an extreme case, when the tax charge is taken into account, so much land would need to be sold that the farm would cease to be viable.

7. The matter was discussed generally at the Committee Stage of the Finance Bill last year when we expressed sympathy for the objective but not the means which were then proposed for meeting it.

##### Proposal

8. The proposal in the clause will enable the CGT charge to be deferred where up to 20% of a holding of land is sold. In order that this should be primarily of benefit for relatively small holdings however, the present limit of £20,000 proceeds is to remain unchanged.

##### Cost

9. The cost will be about £m4 in 1987/88.

## BOARD OF INLAND REVENUE

### DEFENSIVE NOTES

#### Too small an increase?

10. The aim of the change is primarily to benefit the small and medium sized farmer while retaining the essential administrative character of the relief. The starting point for the maximum amount of relief will be brought down from a holding with a value of £400,000 to one with a value of £100,000.

#### Why not increase the upper limit of £20,000 proceeds?

11. The limit was increased (from £10,000) to its present level in 1984. We shall keep it under review but we must consider the position of farmers - and others with land and buildings who can benefit from the relief - in relation to other sectors of the economy.

#### Why not provide specific relief for problem of farm indebtedness?

12. This was debated at Committee Stage last year when the (then) Minister of State, outlined the difficulties of extending the replacement of business assets relief to meet this problem. The proposals in the clause go some way towards meeting the representations which were put to us on behalf of the farming organisations and, together with the other capital taxation changes, provide considerable assistance for the farming industry.

---

/BACKGROUND NOTE

## BOARD OF INLAND REVENUE

### BACKGROUND NOTE

13. Section 107 CGTA provides that where land forming part of a holding is transferred the owner may claim that the disposal should not be treated as an occasion of charge but that the proceeds should reduce the allowable cost of the remainder of the land. At present, the relief is available where the value of the land disposed of is "small" in relation to the total value of land held (in practice 5% of value is taken as small); and the proceeds of sale do not exceed £20,000 (this was raised from £10,000 in 1984).

14. In effect, the relief defers the charge until the remaining land comprised in the particular holding - which may be less than the farm as a whole - is sold. It does not matter what the proceeds of the sale are used for.

#### Representations

15. The level of debt of UK agriculture has increased considerably in recent years, and the cost of servicing it has risen from £m50 in 1971 to £m126 in 1975 and to an estimated £m750 in 1985.

16. Representations to meet this problem were received this year from the National Farmers' Union (NFU), Country Landowners' Association (CLA) and the Farmers' Union of Wales. The NFU recommended, inter-alia, that relief should be available under section 107 where up to 10% of the holding was sold. The CLA continued to press for a more comprehensive relief - and this was the proposal discussed in Standing Committee last year - but also recommended an increase in the availability of the relief where up to 20% of a holding was sold, together with the abolition of the ceiling on proceeds.

17. In a recent announcement, the CLA expressed disappointment at the absence of specific measures to assist a reduction in farm indebtedness, but welcomed the proposal in the clause as making it "that little bit easier" to sell part of a farm to reduce borrowing.

---



## BOARD OF INLAND REVENUE

FINANCE BILL 1986  
COMMITTEE

## Schedule 12

Amendment	Page	Line
* 268	136	24

Mr John MacGregor

(Norfolk S - Con)

Schedule 12, page 136, line 24, at end insert -

'(4A) For the purposes of sub-paragraph (4) above, where the previous trader's qualifying expenditure is an amount attributed to the purchased asset on a just and reasonable basis in accordance with paragraph 18(6) above, any allowances and any balancing charge made by reference to a greater amount of expenditure shall be apportioned on the like basis.'

---

 PURPOSE OF THE AMENDMENT
Government amendment

1. This amendment introduces a new sub-paragraph (4A) in Paragraph 19 of Schedule 12 to provide a rule for apportioning residues of the previous trader's qualifying expenditure for the purposes of Paragraph 19. It is designed to cater for situations where something which is treated as a single asset in the hands of one trader is disposed of in separate parts to two or more different traders, and the qualifying expenditure itself falls to be apportioned on a just and reasonable basis under Paragraph 18(6).

2. The rule in the new sub-paragraph (4A) provides that where the previous trader's qualifying expenditure has been apportioned on a just and reasonable basis, the residue for the purposes of the second-hand cost restriction in Paragraph 19 can be apportioned on the same basis.

---

## BOARD OF INLAND REVENUE

### PART II SPEAKING NOTES (NOT FOR CIRCULATION)

3. This amendment proposes to insert a new sub-paragraph (4A) into Paragraph 19 of Schedule 12, which restricts the buyer's allowances by reference to the previous trader's residue of expenditure, which is arrived at by adjusting the previous trader's qualifying expenditure for allowances and charges made under the new rules. The purpose of the new sub-paragraph (4A) is to provide that the residue of the previous trader's qualifying expenditure may be apportioned on a just and reasonable basis where amount the to which it relates has likewise been apportioned.

4. This new rule is necessary where a single asset is sold to two or more other traders, and the residue has to be apportioned between the purchasers.

---

CUSTOMS AND EXCISE

FINANCE BILL 1986  
STANDING COMMITTEE

SCHEDULE 3

Amendment Page Line  
27 88 7

Mr Terry Davis (Birmingham, Hodge Hill - Lab)  
Dr Oonagh McDonald (Thurrock - Lab)  
Mr Tony Blair (Sedgefield - Lab)

Schedule 3, page 88, line 7, leave out paragraph 3

## PURPOSE OF THE AMENDMENT

Cost: Nil-RESIST

1. The amendment would restrict the Department's ability to deal with goods which are not in warehouse, but within the warehousing regime.

## NOTES FOR USE IN DEBATE

2. There is a link between paragraphs 2 and 3 of the Schedule. The provision is also included to clarify the existing law so that the Commissioners have adequate powers to treat goods which are not in warehouse as though they were in warehouse.

3. In addition to revenue considerations, the Department needs to be able to operate flexibly for the benefit of the trade. For example, it allows for changed circumstances such as a trader wishing to alter the destination of goods and pay duty on them instead of delivering to warehouse as originally intended.

*pup*

CONFIDENTIAL



FROM: JILL RUTTER

DATE: 24 February 1987

PS/INLAND REVENUE

PS/CUSTOMS & EXCISE

cc:  
Principal Private Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Cassell  
Mr Scholar  
Miss Sinclair  
Miss C Evans  
Mr Dyer  
Mr Haigh  
Mr Romanski

**FINANCE BILL 1987: GUIDANCE FOR OFFICIALS**

Mr Dyer has circulated the guidance for the forthcoming Finance Bill.

2 Could I just put on the record straightaway that paragraphs 4.2 and 4.4 do not apply to the Chief Secretary. The Chief Secretary does not welcome notes being passed forward. If he requires the information he will ask for it, either through the Private Secretary or his Parliamentary Private Secretary. Officials supporting the Chief Secretary should not, except in exceptional circumstances, volunteer information.

JILL RUTTER  
Private Secretary



OP

FROM: N WILLIAMS  
DATE: 25 February 1987

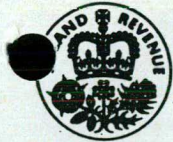
MR SHEPHERD IR

cc PS/Chancellor  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Scholer  
Miss Sinclair  
Mr Cropper  
Mr Dyer  
Mr Graham OPC  
PS/IR

DOUBLE TAXATION ORDERS: POWER TO EXCHANGE INFORMATION - FB87  
STARTER No.178

1. The Financial Secretary was grateful for your minute of 19 February.
2. He is content, in these exceptional circumstances, for the draft to be shown to Mr Knorpel in strict confidence.

NIGEL WILLIAMS  
(Assistant Private Secretary)



## Inland Revenue

 Policy Division  
 Somerset House
 P

 From: J B SHEPHERD  
 Ext: 7019  
 Date: 19 February 1987

FINANCIAL SECRETARY

 DOUBLE TAXATION ORDERS: POWER TO EXCHANGE INFORMATION - FB87  
 STARTER NO.178

1. I refer to my submission to you dated 19 January 1987 and your approval to draft (Mr Williams' minute to me dated 26 January 1987).
2. Parliamentary Counsel has now produced a draft which we think meets the Select Committee's points satisfactorily. Mr Graham has, however, suggested that, exceptionally, it might be sensible to expose it to Mr Knorpel, Counsel to the Speaker, at this stage to see whether he has any comments.
3. We think there is much to be said for giving Mr Knorpel this opportunity to offer views while there is still time to amend the draft before it gets into the Finance Bill.
4. Accordingly may I have your permission to show a draft of the clause to give effect to Starter 178 in strict confidence to Mr Knorpel.

---

 cc PS/Chancellor  
 PS/Chief Secretary  
 PS/Economic Secretary  
 PS/Minister of State  
 Sir P Middleton  
 Mr Scholar  
 Ms Sinclair  
 Mr Cropper  
 Mr Dyer  
 Mr Graham (Parl Counsel)

 Mr Battishill  
 Mr Isaac  
 Mr Painter  
 Mr Pollard  
 Mr Taylor Thompson  
 Mr Beighton  
 Mr Corlett  
 Mr Pitts  
 Mr Houghton  
 Mr Roberts  
 Mr Cleave  
 Mr Scott (Solr Scotland)  
 Mr Bryce  
 Mr Fawcett  
 Mr Shepherd  
 Mr Sullivan  
 Mrs Hubbard  
 Mr Battersby  
 Mr J F Hall  
 Mr Alpe  
 Miss Pattison  
 PS/IR

BUDGET CONFIDENTIAL

5. When we are happy that the draft clause achieves all that is necessary I will let you have a draft of the proposed minute for you to send to the Select Committee putting on the record with them the Government's intention to legislate (paragraph 3 of Mr Williams' minute 26 January).



J B SHEPHERD



18

FROM: N WILLIAMS  
DATE: 26 January 1987

MR SHEPHERD IR

cc PS/Chancellor  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Scholar  
Ms Sinclair  
Mr Cropper  
Mr Dyer  
Mr Graham OPC  
Mr Painter IR  
Mr Taylor Thompson IR  
PS/IR

**DOUBLE TAXATION ORDERS: POWER TO EXCHANGE INFORMATION**

1. The Financial Secretary was grateful for your submission of 19 January.
2. The Financial Secretary is content for you to proceed as you suggest by instructing Counsel to draft a provision for inclusion in this year's Finance Bill on the lines of paragraph 7 of your submission.
3. The Financial Secretary would be grateful if you could also prepare a minute for him to send to the Select Committee putting on record with them the Government's intention to legislate.

*N Williams*

**NIGEL WILLIAMS**  
(Assistant Private Secretary)





Inland Revenue

Policy Division  
Somerset HouseFrom: J B SHEPHERD  
Ext: 7019  
Date: 19 January 1987

1. MR TAYLOR THOMPSON
2. MR PAINTER
3. FINANCIAL SECRETARY

*19/1*  
*I agree chose the risk solution in para. 10 makes legislation ~~highly~~ necessary - albeit small scale*

## DOUBLE TAXATION ORDERS: POWER TO EXCHANGE INFORMATION

1. You are aware that a question relating to the power to exchange information under Double Taxation agreements and the wording of the Statutory Orders embodying them has been the subject of an exchange of legal opinions. I attach a copy of the brief on this issue supplied as background for the debate on 15 January in connection with the Double Taxation Orders with France and Mauritius (minute Shepherd to Minister of State 7 January). The advice available to us has been divided on the issue. We have now concluded on the basis of the most recent exchange with Parliamentary Counsel and in the light of the Solicitor General's opinion that the matter was "not without difficulty" that we should recommend an amendment in Finance Bill 1987 to put the matter beyond doubt.

cc PS/Chancellor	Mr Battishill
PS/Chief Secretary	Mr Isaac
PS/Economic Secretary	Mr Painter
PS/Minister of State	Mr Pollard
Sir P Middleton	Mr Taylor Thompson
Mr Scholar	Mr Beighton
Ms Sinclair	Mr Corlett
Mr Cropper	Mr Pitts
Mr Dyer	Mr Houghton
Mr Graham (Parl Counsel)	Mr Roberts
	Mr Cleave
	Mr Scott (Solr Scotland)
	Mr Bryce
	Mr Fawcett
	Mr Shepherd
	Mr Sullivan
	Mrs Hubbard
	Mr Battersby
	Mr J F Hall
	Mr McManus (new starter)
	Mr Alpe
	Miss Pattison
	PS/IR

The problem

2. Double Taxation Agreements have, since the first was concluded as long ago as 1945, generally contained arrangements for the exchange of information between the Revenue authorities of the treaty partners. These exchanges are of two kinds: first, exchange of the information necessary to enable the double taxation relief provisions to work in each country, and second, information necessary to counter fiscal evasion. The formal title of a double taxation agreement normally explicitly points to the two-fold objectives in the following terms:

"Convention .... for the avoidance of double taxation and the prevention of fiscal evasion with respect to the taxes on income and capital gains".

3. The legislation under which the Statutory Orders are made (Section 497(1) ICTA 1970), refers explicitly only to arrangements made "with a view to affording relief from double taxation". No mention is made of arrangements made for any other purposes in general; or for the prevention of fiscal evasion in particular. However, we know that both objectives were in mind in drafting that legislation and also in drafting the linked legislation (Section 518(2) ICTA 1970), which removes the obligation of secrecy upon Revenue officials to permit exchange of information with the Revenue authorities of treaty partners.

4. The first objection which was made to the way in which the Statutory Orders are presently drafted focused on the words used in Section 518(2) to describe the arrangements for exchange of information in respect of which the obligation of secrecy was removed by that Section. It was alleged that it was only exchange of information for the purpose of those parts of the arrangements which actually had effect under Section 497(1) that was covered by the removal of the secrecy obligation. However, according to the majority of legal opinion including that of the Solicitor General, the preferred reading of Section 518(2) was one which recognised that the secrecy obligation was removed in respect of any provision contained in the arrangements requiring

the exchange of information and not just for the purpose of those provisions to which effect was given by Section 497(1).

5. Although the Solicitor General himself pointed out that such a construction was "not without difficulty", and the Select Committee had earlier put on the public record in their report to the House that they found the matter "unsatisfactory" and had drawn special attention to their view that the existing wording of Orders "appears to be defective", it is not this first objection that is now causing us concern. A more recent exchange of letters with Parliamentary Counsel has brought out a different objection to the present wording of Double Taxation Orders to which the same answer cannot be given. This objection focuses on the propriety of including in arrangements specified in a Double Taxation Order any arrangements made other than for the purpose of affording relief from double taxation which, as mentioned above, is the only purpose mentioned in Section 497(1).

#### Existing Orders

6. We are advised that there is no fetter upon the Crown to prevent the conclusion of agreements with treaty partners to exchange information for the purpose of preventing fiscal evasion as well as for the avoidance of double taxation. Arrangements have been made for both purposes and have for over 40 years been included in Statutory Orders. Once they have been included in the Order the Solicitor General's view, which does not now seem to be contested, is as explained at paragraph 4 above that secrecy obligations are removed for exchanges of information for the prevention of fiscal evasion as the law now stands. It is solely the propriety of including such provisions in the arrangements as they are embodied in the Statutory Orders that is now challenged.

#### Case for remedial legislation

7. There is clearly a case for legislation in view of the difficulties as things now stand (paragraph 5 above).

Legislation would be relatively straightforward: we think that all that would be needed would be an amendment which refers explicitly to "the prevention of fiscal evasion" as a (second) objective of double taxation agreements.

8. However, two considerations which may appear to point against legislation need to be weighed. First, for over 40 years the House has approved agreements made in accordance with the existing legislation. Doubt has been cast on the interpretation of this legislation, but the balance of the legal advice does not go beyond this: it does not amount to a clear case for a change in the law. So why change now? A change would not need to be retrospective since existing Orders remain valid (paragraph 6 above), so we should not have to face the embarrassing prospect of legislation with retrospective effect for over 40 years. But the explanation for this (as in paragraph 6) may not be altogether easy to present. And, even without retrospection, amending legislation at this juncture will appear odd.

9. Secondly, exchange of information between tax authorities is a sensitive issue. As you know, the CBI have expressed concern about the prospects of a Multilateral Convention on Mutual Assistance (prepared under the auspices of the Council of Europe and OECD) and one of the grounds of their concern is the possibility that it may enable information to be more freely exchanged. Legislation to amend Section 497 will do no more than put beyond doubt the arrangements for exchange of information to prevent fiscal evasion which have been included in bilateral agreements for many years. But it could provide a focus for a more general debate on the issue.

10. Nevertheless, despite these objections, we believe there is a compelling case for legislation this year. It is now pretty clear that unless legislation is promised the Select Committee will continue to raise questions on Orders put before them, which would be difficult to answer. And they could well go further and refuse to approve the Orders, pending legislation. This would of course put us in an impossible position. For this reason we think that legislation is necessary this year and that the


intention should be made known to the Select Committee (paragraph 11 below).

Draft Orders in the pipeline

11. There are currently two Orders in the pipeline which include reference to arrangements for the prevention of fiscal evasion, Turkey (signed 19 February 1986) and Pakistan (signed 24 November 1986). Your predecessor as Financial Secretary undertook to report the outcome of his consideration of the Select Committee's views and we would recommend that you should put on the record with them the Government's intention to legislate in the sense recommended above. Once that has been done it should be possible to bring the two draft Orders to Merits Committee in the normal way. Although there has not yet been any strong public pressure in respect of the Turkish Agreement we have received from time to time a number of enquiries from individual companies anxious to know how the Agreement will affect their business activities. The delay in laying this Order before the House (and hence in publication) is now becoming significant.

Conclusion

12. We invite your agreement to our instructing Counsel to draft a provision for inclusion in Finance Bill 1987 on the lines of paragraph 7. If you are content we shall prepare a minute for you to send to the Select Committee as at paragraph 11.

  
J B SHEPHERD

## PART III

### DOUBLE TAXATION ORDERS: POWERS TO EXCHANGE INFORMATION: VIEWS OF SELECT COMMITTEE ON STATUTORY INSTRUMENTS

#### Background Brief

1. There remains an unresolved question concerning one aspect of the vires and wording of double taxation Orders. The issue, which concerns the exchange of information for the prevention of fiscal evasion, was raised in a written comment to the House by the Select Committee on Statutory Instruments (Annex "A" to this note).

The issue is not directly in point in relation to either the French or Mauritius protocols.

#### The issue

2. The Committee's view, as recorded in their minute, is that the statutory provision giving effect to double taxation agreements (Section 497, Income and Corporation Taxes Act 1970) does not provide explicitly for the exchange of information to prevent fiscal evasion. The Committee considered, therefore, that the drafting of the Orders was unsatisfactory as, in referring to the prevention of fiscal evasion, it suggested that they had wider scope than was in fact the case.

3. John Moore, when Financial Secretary, took the line in Merits Committee that the form of words in question went back to 1945 to the first double taxation agreement; that they had appeared in almost all the United Kingdom's agreements since then; and that the Inland Revenue's lawyers regarded the wording as soundly based in law. Mr Moore went on to say that he would have the point

looked into and would respond again when future Orders came before the House.

4. To enable that full response to be made we have in the meantime been taking further legal advice - from Parliamentary Counsel, from Revenue Counsel and from the Law Officers. We understand that the most recent exchange of views between Speaker's Counsel and Parliamentary Counsel on this issue took place as recently as 12 December and was reported to the Inland Revenue's Solicitor the same day.

5. We are still considering the implications of that exchange of views. It is now a possibility that we shall be proposing remedial legislation and Finance Bill 1987 could be a convenient vehicle. We shall let you have a full submission shortly.

Line to take

6. For the purposes of the Merits Committee debate on 15 January there is no compelling need to refer to the open issue at all since the exchange of information for the prevention of fiscal fraud is not a purpose of either the French or the Mauritius protocols. If you are asked how things stand we suggest a reply on the following lines.

7. I am of course aware of the comments made by the Committee to the House when the Norway and Ivory Coast Orders came before them. (Report reference HC 32-i). I have to say that the Government is considering all the legal advice available to it and that I will make a full statement to the Committee in due course as Mr Moore undertook to do (photocopy Hansard

# Fourth Standing Committee on Statutory Instruments, &c.

Wednesday 20 November 1985

[Mr. DAVID KNOX in the Chair]

## Draft Double Taxation Relief (Taxes on Income) (Ivory Coast) Order 1985

10.30 am

The Financial Secretary to the Treasury (Mr. John Moore): I beg to move,

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Ivory Coast) Order 1985.

The Chairman: I think that it would be for the convenience of the Committee if with this we were to take the following:

The draft Double Taxation Relief (Taxes on Income) (Canada) Order 1985.

The draft Double Taxation Relief (Taxes on Income) (Finland) Order 1985.

The draft Double Taxation Relief (Taxes on Income) (Soviet Union) Order 1985.

The draft Double Taxation Relief (Taxes on Income) (Norway) Order 1985.

Mr. Moore: I should first like to comment, if I may, on the report of the Select Committee on Statutory Instruments on the Ivory Coast and Norway orders. The titles and preambles of the orders refer to the avoidance of double taxation and the prevention of fiscal evasion. The Select Committee has suggested that the drafting is unsatisfactory because the relevant provisions relating to double taxation agreements in section 497 of the Taxes Act do not in terms specify fiscal evasion.

The main point is that that form of words is in almost all our double taxation agreements and goes back to when double taxation agreements started in 1945, which is also the precise date of the enactment of section 497. We had taken it that it had always been considered that section 497, regarded as a whole, provided for fiscal evasion being

specified in agreements. Certainly the Inland Revenue's lawyers regard the wording in agreements as being soundly based in law.

Therefore, although it is a small technical matter on which the Committee will not wish to hold up the orders, I shall certainly have the point looked into again and respond in due course, particularly with reference to double taxation agreements that no doubt will come before the Committee in future.

Beyond that small technical point, all five orders follow the usual pattern of agreements, and I believe that they are self-explanatory.

*Question put and agreed to.*

*Resolved.*

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Ivory Coast) Order 1985.

## Draft Double Taxation Relief (Taxes on Income) (Canada) Order 1985

*Resolved.*

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Canada) Order 1985. — [Mr. Moore.]

## Draft Double Taxation Relief (Taxes on Income) (Finland) Order 1985

*Resolved.*

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Finland) Order 1985. — [Mr. Moore.]

## Draft Double Taxation Relief (Taxes on Income) (Soviet Union) Order 1985

*Resolved.*

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Soviet Union) Order 1985. — [Mr. Moore.]

## Draft Double Taxation Relief (Taxes on Income) (Norway) Order 1985

*Resolved.*

That the Committee has considered the draft Double Taxation Relief (Taxes on Income) (Norway) Order 1985. — [Mr. Moore.]

*Committee rose at twenty-eight minutes to Eleven o'clock.*





COPY NO. 3 OF 5 .

FROM: A C S ALLAN

DATE: 25 February 1987

MR SCHOLAR

cc Miss Sinclair

**FINANCE BILL: ACCELERATED TIMETABLE**

The Chancellor was most grateful for your note of 24 February.

2. On scenario ~~B~~, he feels the options to be looked at should be 4 or 11 June, ~~not~~ 18 June. He notes that we would have to get through the income tax clauses, any excise duty clauses, payroll giving and VAT partial exemption. He feels it is clearly essential that we take the income tax basic and higher rates clause on the first day of the Committee of the whole House, so as to have this under our belt before (on this scenario) the balloon goes up. This has obvious implications for the dates of Second Reading and the start of the Committee of the whole House, on which he has already minuted.

3. He would be grateful in due course for a further note on this, taking account of the shift from 18 June to 11 June or even 4 June, and providing updates on any other points as necessary.

A handwritten signature in dark ink, appearing to read 'ACSA' with a horizontal line underneath.

A C S ALLAN

CONFIDENTIAL



FROM: B O DYER

DATE: 25 FEBRUARY 1987

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary  
 PS/Financial Secretary  
 PS/Economic Secretary  
 PS/Minister of State  
 Sir Peter Middleton  
 Mr Scholar  
 Mr Graham - Parly Counsel

**1987 FINANCE BILL: TIMETABLE**

Your minute of yesterday's date records the Chancellor's wish to bring Second Reading forward from 28 April to 23 April, and to commence consideration in Committee of the Whole House no later than 5 May; so enabling a clause of the government's choice to be debated at least 2 days prior to the local elections on 7 May. I have written to Murdo Maclean's office accordingly - copy attached.

For the record, the convention of allowing two weekends between Second Reading and Committee Stage is not strictly applied in the case of the Finance Bill because the government's main policy proposals have been well publicised in the Budget Statement and further ventilated in the ensuing 3 day Budget debates. Indeed, in recent years it has been the exception rather than the rule to provide two weekends between Second Reading and Committee of the Whole House. I see advantage in the Chancellor's wish to bring forward Second Reading from 28 to 23 April (the greater flexibility this allows and no cause for Opposition complaint). Nevertheless, Murdo may argue that having Second Reading on 28 April (as originally proposed) would still enable Committee of the Whole House to start on the key date of 5 May (the House is not sitting on 4 May which is a Bank Holiday). Conversely, the Chancellor's proposal could allow the Committee of the Whole House to start on 30 April.

A handwritten signature in black ink, appearing to be 'B. O. Dyer'.

B O DYER

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG  
01 270-4520

Miss Sarah Straight  
Office of the Government  
Chief Whip  
12 Downing Street  
LONDON SW1

25 February 1987

*Dear Sarah,*

**1987 FINANCE BILL: TIMETABLE**

I undertook to detail the Chancellor's wishes concerning the Bill's passage through the Commons. In turn, you kindly agreed to consult Murdo and come back to me if difficulties were foreseen.

The key date in the timetable is 5 May. Given the local elections on 7 May, the Chancellor feels it is essential that we are able to debate a clause of our choice in Committee of the Whole House not later than 5 May.

Following is the timetable currently proposed, which provides for the two weekend convention between publication, second reading and committee stage:

Bill brought in and given a formal First Reading	23 March 1987
Publication of the Bill	9 April 1987
Second Reading and Committal Motion	23 April 1987
Committee of the Whole House (probably 2 days; 3 at most)	5, 6, [7] May 1987
Standing Committee starts (probably 9 or 10 sittings)	12 May 1987
Report and Third Reading	7 [8] July 1987

We recognise, of course, the possibility of a Spring election, and contingency planning is in hand accordingly.

*Yours,  
Bryan Dyer*

B O DYER

puf

CONFIDENTIAL

REFERENCE: RCA/BQ/17

FROM: K E BRADLEY  
DATE: 26 FEBRUARY 1987

CHIEF SECRETARY

cc: Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Hosker (T.Sol)

**FEES AND CHARGES: LEGAL QUERY**

The Secretary of State for Transport wrote to you on 28 January proposing that this year's Finance Bill should be used to correct a legal problem raised by the Joint Committee on Statutory Instruments.

**Background**

2. In 1985 the Joint Committee queried whether the Department of Transport was entitled to recover certain costs associated with one of its departmental services (driving instructor licensing). Following legal advice the defect which has now to be addressed is that nowhere in the department's legislation is there "the clear and distinct legal authority required by case

law to place any pecuniary burden to cover enforcement costs" as well as covering the cost of the compilation and maintenance of a register in an accurate form, which was the purpose of the relevant sections of the legislation.

3. As there were implications for fee-earning services generally, we consulted other departments and bodies which operate chargeable services. 3 departments (LCD, DTI and MAFF) have identified services where substantial fee income is, or may be, at risk. In total some £m150 of fee income is estimated to be affected.

4. 2 courses of action for correcting the defective legislation have been looked at:

a) for departments with services at risk to include clauses extending their powers in relation to fees and charges in a suitable piece of departmental legislation,

b) for the Treasury to introduce a piece of general legislation to enable departmental Ministers to amend by statutory instrument the legislative provisions covering their particular areas of responsibility.

5. The DTp has been uneasy at a piecemeal approach (a. above) and favour general legislation (item b).

#### **Present position**

6. The Secretary of State for Transport has proposed the inclusion of an enabling provision in this year's Finance Bill. This would provide an early opportunity to correct the problem and avoid the risk of challenge in the courts (which might arise were departments to attempt to deal with their defective legislation at different speeds).

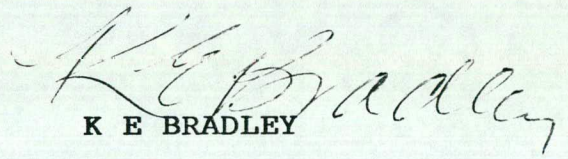
7. We have received confirmation via Treasury Solicitor that the House authorities think the provisions which are required could

be brought within the scope of a Finance Bill by a procedure resolution (copy of Tsy. Sol. letter of 25 February attached).

**Recommendation**

8. There is no Treasury objection to the DTp proposal, subject to the views of the other departments affected by the Joint Committee's challenge. We would also be content for DTp to take the lead on drafting instructions, as offered by the Secretary of State.

9. A draft reply is attached, agreeing to the Secretary of State's proposal subject to the views of the other departments involved.

  
K E BRADLEY  
CA Division

**CONFIDENTIAL**

**DRAFT LETTER TO:**

Secretary of State for Transport

**FEES AND CHARGES: LEGAL QUERY**

Thank you for your letter of 28 January.

I agree that we must take steps to remove the legal doubts raised by the Joint Committee on Statutory Instruments as soon as we can. This year's Finance Bill would provide an early opportunity, and House authorities have indicated that they think the necessary provisions could be brought within the scope of a Finance Bill by a procedure resolution. Subject to the views of colleagues who face similar defects in their legislation, I agree to your proposal.

It would be helpful if you took the lead on drafting instructions, and I should be pleased if you would keep officials here informed of progress. The Ministry of Agriculture, Fisheries and Food, which has now confirmed that it has a similar problem, should be consulted along with the Lord Chancellor's Department and the Department of Trade and Industry.

I am copying this letter to the Lord Chancellor, the Secretary of State for Trade and Industry, the Minister of Agriculture, Fisheries and Food and the Solicitor General.

CONFIDENTIAL



Queen Anne's Chambers  
28 Broadway  
London SW1H 9JS

Telephones DIRECT LINE 01-210 3049  
SWITCHBOARD 01-210 3000  
Telex 917564 GTN 210  
FAX No. 01-222 6006

Our reference

Your reference

25th February 1987

K E Bradley Esq  
CA Division  
HM Treasury  
Parliament Street  
London SW1P 3AG

*Dear Ken*

FEES AND CHARGES: LEGAL QUERY

Thank you for your letter of the 24th February.

Peter Graham of Parliamentary Counsel has consulted House authorities and they have told him that they think the provisions which are required could be brought within the scope of a Finance Bill by a procedure resolution. A charging ways and means resolution will also be necessary.

I have arranged for the above information to be communicated to the Legal Adviser at the Department of Transport and he will be organising the liaison with his colleagues in the DTI and Lord Chancellor's Department with the intention of producing as quickly as possible a full set of instructions for the relevant clause in the Finance Bill.

I will ensure that you are kept in touch with progress in the drafting of the instructions.

*Yours sincerely  
G A Hosker*

G A Hosker





A paper with  
a v. large circular  
on the basis of  
who I will have  
a mtg. But no  
key is part of  
so it will be possible for  
M. Schla to have  
mtg with MST 1st  
one letter is

Ch

Murdo rang me tonight  
to say M Kinrock had said  
at a press conference that the  
Opposition would not cooperate  
on getting the 2p IT cut through  
if there were an early election.  
He considered about contingency  
planning (he thought it would be  
impossible in the case for the  
Government to steamroll it through).

OK to commission Michael  
Schla to prepare a further note  
on this particular point, in  
consultation with Revenue &  
over

Murdo, but kept to v tight  
group ?

AA

*prep prep*

COPY / NO OF 4 COPIES

FROM: M C SCHOLAR

DATE: 26 FEBRUARY 1987

MR A C S ALLAN

cc Miss Sinclair  
Miss Evans

**FINANCE BILL: ACCELERATED TIMETABLE**

Thank you for your minute of 25 February.

- ... 2. I attach a revised version of the paper, based on 11 June, but covering also 4 June, which makes consequential changes and includes the Chancellor's thought that we should aim for second reading on 23 April.
- 3. We have noted carefully the Chancellor's point about the need to take the income tax clauses before the ballon goes up (if it does). We will feed this thought in, but I suggest you pass it on to the Chief Secretary and Financial Secretary.
- 4. We will provide updates on any further points if they are needed.

*Ch*

*MCS*

M C SCHOLAR

*(Ch did you see?  
was in White with Bone Dyer's note)*

*AA*

*was in White with Bone Dyer's note*

*was in White with Bone Dyer's note*



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

26 February 1987

Nigel Wicks Esq  
10 Downing Street  
LONDON  
SW1

*Dear Nigel,*

**FINANCE BILL: POSSIBLE ACCELERATED TIMETABLE**

I attach a note, prepared by Michael Scholar, which considers the implication for the Finance Bill if there were to be an Election in May or June this year.

*Yours,  
Alex*

A C S ALLAN

## BUDGET SECRET

### FINANCE BILL TIMETABLE IN THE EVENT OF A MAY/JUNE ELECTION

This note considers the implications for the Finance Bill of an election in May or June 1987.

#### Recent precedents

2. In 1979 the election was on 3 May. Parliament was dissolved on 7 April. The first Finance Act 1979 was only 2 pages long, and completed its passage through the Commons in two days (3 and 4 April). The Finance (No 2) Act 1979 was 22 pages only. It followed a Budget Statement by the new incoming government on 12 June, and had completed its Commons Stage by 18 July.

3. In 1983 the election was on 9 June. Parliament was dissolved on 13 May. The first Finance Act was 79 pages long and completed its Commons stages by 11 May. (The Commons stages following the announcement of the Election took two days.) The Finance (No 2) Act 1983 was no more than 15 pages: most of the further material which might have been included was held over until 1984 and there was no second Budget Statement. The second Finance Act got through its Commons stages by 14 July.

4. This note now considers 2 possible scenarios:

- (a) an election on 30 April/7 May;
- (b) an election in June; for illustrative purposes on, say, 11 June.

It focusses on the steps which would need to be taken up to the date of the election itself. It does not consider in any detail what might be done after an election.

#### Scenario A - election on 30 April/7 May

5. A 30 April election would mean dissolution by 2 April. On past form the announcement of the election would be about a week earlier,

on 26 March. 8 April (with an announcement around 1 April) is the latest date for dissolution before a 7 May election. In either case the announcement would be after the Budget debates but before the publication of the Finance Bill. (On present plans the publication of the Finance Bill will be on 9 April.)

6. With an end April/early May election, only a few clauses could be brought forward for an immediate Bill. It would be necessary to get it to the House virtually immediately after the election had been announced, and pass it within a couple of working days. It would need to cover the following measures:

- (a) Provisions to renew income tax which is an annual tax. The rates and allowances would have to be agreed with the Opposition unless the government were prepared to impose a guillotine on the Bill.
- (b) The mortgage interest relief (£30,000) ceiling. This, too, is an annual provision, and if not renewed the relief would continue to operate but without a ceiling.
- (c) Any changes to excise duties implemented at Budget time.
- (d) Any other changes given immediate effect following the Budget by Resolutions under the Provisional Collection of Taxes Act (PCTA). On a quick survey of the existing Budget starters list the only items here seem to be the measure which will give cover for the payroll giving scheme to start from 1 April, and VAT partial exemption.

7. There are a number of Budget measures, not covered by the PCTA, which are planned to come into effect from Budget Day (for example changes in inheritance tax thresholds and bands, capital gains tax changes for companies). But because these are changes in tax liability rather than in tax payments actually made immediately after Budget Day we foresee no great problems here.

8. Clearly under this scenario almost all of the presently proposed 1987 Finance Bill would either fall to be dealt with in 1987 after the election; or would have to be deferred until 1988, or lapse altogether.

Scenario B - election on 11 June

9. This would require an election to be announced around 12 May and Parliament to be dissolved around 19 May. Under either 11 June or a later election timetable the 1987 Finance Bill would already have been published, Second Reading (currently planned for 28 April or even as early as 23 April) would have taken place and Committee of the Whole House (planned for 5/6 and possibly 7 May) would have been completed; under a 4 June election Second Reading would have taken place and, depending on the timing of the announcement of the election, Committee of the Whole House would probably have started but not yet be completed.

10. It might be possible, as in 1983, to retain a good deal more than the bare essentials set out in para 6 above. What would be retained would depend crucially on the attitude of the Opposition: it would make for great difficulties if the government attempted to include measures which they strongly opposed. This would be a matter for negotiation through the usual channels.

11. There could be considerable confusion for the Revenue and taxpayer if the Opposition decided to be obstructive about the income tax changes in these circumstances. The PAYE changes would normally come into effect in May and payments like annuities have deductions made at the basic rate from the start of the new income tax year. If it seemed likely that the Opposition would take this line we should ask the Revenue to be ready to give a quick view on the administrative implications.

12. The Opposition might be co-operative about some of the measures currently planned for the Finance Bill - for example the anti-avoidance measures, the small business VAT package and perhaps (some of) the pensions changes. There are also a number of measures which should occasion little or no controversy, eg the Building Societies measures, any relief for the costs of training, the lollipops and so on.

13. In the case of either scenario A or B, there would be no time for the first Finance Bill to go through Standing Committee. All stages would have to be taken on the floor of the House (there would be no need for Report stage if no amendments were made in Committee). The Lords' stage would follow as soon as possible, as would Royal Assent.



COPY NO. 5 OF 5 .

FROM: A C S ALLAN  
DATE: 25 February 1987

MR SCHOLAR

cc Miss Sinclair

**FINANCE BILL: ACCELERATED TIMETABLE**

The Chancellor was most grateful for your note of 24 February.

2. On scenario **B**, he feels the options to be looked at should be 4 or 11 June, not 18 June. He notes that we would have to get through the income tax clauses, any excise duty clauses, payroll giving and VAT partial exemption. He feels it is clearly essential that we take the income tax basic and higher rates clause on the first day of the Committee of the whole House, so as to have this under our belt before (on this scenario) the balloon goes up. This has obvious implications for the dates of Second Reading and the start of the Committee of the whole House, on which he has already minuted.

3. He would be grateful in due course for a further note on this, taking account of the shift from 18 June to 11 June or even 4 June, and providing updates on any other points as necessary.

*Ch*

*OK for me to send a copy of the note to Nigel Wicks, fulfilling his remit to me? I shall make the point about the June dates to him orally, and say we shall keep him in touch with updates.*

*AA*

*ACSA*

A C S ALLAN

*(only slight sensitivity is G(b) on MIR).*

*It wd be better, I think, to get Michael to ~~write~~ answer scenario B on the basis of 11 June. I have indicated ~~the~~ that ~~is~~ ~~the~~ ~~main~~ ~~point~~. ~~XX~~*





## BUDGET SECRET

**FINANCE BILL TIMETABLE IN THE EVENT OF A MAY/JUNE ELECTION**

This note considers the implications for the Finance Bill of an election in May or June 1987.

**Recent precedents**

2. In 1979 the election was on 3 May. Parliament was dissolved on 7 April. The first Finance Act 1979 was only 2 pages long, and completed its passage through the Commons in two days (3 and 4 April). The Finance (No 2) Act 1979 was 22 pages only. It followed a Budget Statement by the new incoming government on 12 June, and had completed its Commons Stage by 18 July.

3. In 1983 the election was on 9 June. Parliament was dissolved on 13 May. The first Finance Act was 79 pages long and completed its Commons stages by 11 May. (The Commons stages following the announcement of the Election took two days.) The Finance (No 2) Act 1983 was no more than 15 pages: most of the further material which might have been included was held over until 1984 and there was no second Budget Statement. The second Finance Act got through its Commons stages by 14 July.

4. This note now considers 2 possible scenarios:

- (a) an election on 30 April/7 May;
- (b) an election in June; for illustrative purposes on, say,  
11 ~~18~~ June.

It focusses on the steps which would need to be taken up to the date of the election itself. It does not consider in any detail what might be done after an election.

**Scenario A - election on 30 April/7 May**

5. A 30 April election would mean dissolution by 2 April. On past form the announcement of the election would be about a week earlier,

on 26 March. 8 April (with an announcement around 1 April) is the latest date for dissolution before a 7 May election. In either case the announcement would be after the Budget debates but before the publication of the Finance Bill. (On present plans the publication of the Finance Bill will be on 9 April.)

6. With an end April/early May election, only a few clauses could be brought forward for an immediate Bill. It would be necessary to get it to the House virtually immediately after the election had been announced, and pass it within a couple of working days. It would need to cover the following measures:

- (a) Provisions to renew income tax which is an annual tax. The rates and allowances would have to be agreed with the Opposition unless the government were prepared to impose a guillotine on the Bill.
- (b) The mortgage interest relief (£30,000) ceiling. This, too, is an annual provision, and if not renewed the relief would continue to operate but without a ceiling.
- (c) Any changes to excise duties implemented at Budget time.
- (d) Any other changes given immediate effect following the Budget by Resolutions under the Provisional Collection of Taxes Act (PCTA). On a quick survey of the existing Budget starters list the only items here seem to be the measure which will give cover for the payroll giving scheme to start from 1 April, and VAT partial exemption.

7. There are a number of Budget measures, not covered by the PCTA, which are planned to come into effect from Budget Day (for example changes in inheritance tax thresholds and bands, capital gains tax changes for companies). But because these are changes in tax liability rather than the tax payments we foresee no great problems here.

8. Clearly under this scenario almost all of the presently proposed 1987 Finance Bill would either fall to be dealt with in 1987 after the election; or would have to be deferred until 1988, or lapse altogether.

Scenario B - election on 18 June

11

4 or 11 more lines

9. This would require an election to be announced around <sup>12</sup>19 May and Parliament to be dissolved on <sup>19</sup>26 May. Under any June election timetable the 1987 Finance Bill would already have been published; and probably Second Reading (planned for 28 April) and Committee of the Whole House (planned for 5/6 and possibly 7 May) would have been completed.

10. It might be possible, as in 1983, to retain a good deal more than the bare essentials set out in para 6 above. What would be retained would depend crucially on the attitude of the Opposition: it would make for great difficulties if the government attempted to include measures which they strongly opposed. This would be a matter for negotiation through the usual channels.

11. There could be considerable confusion for the Revenue and taxpayer if the Opposition decided to be obstructive about the income tax changes in these circumstances. The PAYE changes would normally come into effect in May and payments like annuities have deductions made at the basic rate from the start of the new income tax year. If it seemed likely that the Opposition would take this line we should ask the Revenue to be ready to give a quick view on the administrative implications.

12. The Opposition might be co-operative about some of the measures currently planned for the Finance Bill - for example the anti-avoidance measures, the small business VAT package and perhaps (some of) the pensions changes. There are also a number of measures which should occasion little or no controversy, eg the Building Societies measures, any relief for the costs of training, the lollipops and so on.

13. In the case of either scenario A or B, there would be no time for the first Finance Bill to go through Standing Committee. All stages would have to be taken on the floor of the House (there would be no need for Report stage if no amendments were made in Committee). The Lords' stage would follow as soon as possible, as would Royal Assent.

CONFIDENTIAL



FROM: JILL RUTTER  
DATE: 3 March 1987

*Pps PJ*  
*(Kf Catly)*  
*PWP*

MR DYER

CC:  
Principal Private Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir Peter Middleton  
Mr Scholar  
Miss Sinclair  
Mr Graham - Parly Counsel

**1987 FINANCE BILL: TIMETABLE**

The Chief Secretary discussed this yesterday evening with the Chief Whip.

2 The Chief Secretary will wish to discuss handling in the Bill with Mr Gould before the House rises for the Easter Recess. That basically means he will have to have a discussion with Mr Gould on 9 April. He therefore would be grateful if Miss Sinclair could urgently explore the modalities of publishing the Finance Bill on 8 April. *X/* Mr Walters' minute of 19 February said that HMSO could meet a Wednesday publication date though warning that this would leave little room for manoeuvre.

3 Both the 23rd and 28th remain pencilled in for Second Reading. If all goes well the aim is to have the Committee of the Whole House on the 5th and 6th of May with a Bill going upstairs on the 12th or 14th.

4 This is of course provisional and remains subject to negotiation with the Opposition. It is a very tight timetable.

5 We will set up the necessary meetings with Mr Gould. Meanwhile I would be grateful for Miss Sinclair's advice on the point mentioned above.

*Jill Rutter*  
JILL RUTTER



*[Handwritten initials]*

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP  
Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
London  
SW1P 3EB

*cc. Chancellor*  
*Sir Peter Madder*  
*Mr Butler Mr A Wilson*  
*Mr Anson Mr Bagnall*  
*Mr Colmore Mr Turnbull*  
*Mr Revolta Miss Sinclair*  
*Mr Bonney Mr Waller*  
*Mr K Bradley*

3<sup>rd</sup> March 1987

*Dec Jh,*

**FEES AND CHARGES: LEGAL QUERY**

Thank you for your letter of 28 January.

I agree that we should take steps to remove the legal doubts raised by the Joint Committee on Statutory Instruments. This year's Finance Bill would provide an early opportunity, and House authorities have indicated that they think the necessary provisions could be brought within the scope of a Finance Bill by a procedure resolution. Subject to the views of colleagues who face similar defects in their legislation, I agree to your proposal.

It would be helpful if you took the lead on drafting instructions, and I should be pleased if you would keep officials here informed of progress. The Ministry of Agriculture, Fisheries and Food, which has now confirmed that it has a similar problem, should be consulted along with the Lord Chancellor's Department and the Department of Trade and Industry.

I am copying this letter to Quintin Hailsham, Paul Channon, Michael Jopling and Sir Patrick Mayhew.

*Yours,*  
*Jh*

JOHN MacGREGOR

*pay.*

*Immediate*

*as us before*

*Miss O'Mara*

FROM: MISS M O'MARA

DATE: 5 MARCH 1987

*I would much rather not*

MR SCHOLAR

*have this brief. If we are asked*

cc

Mr Allan (personal)

Mr Culpin

Mr Hudson (personal)

Miss Sinclair

Mr Pickering

A/55

*these questions by the Press we can say*

*that this is a bridge we will cross when the time*

*comes. Mr Allan agrees. Miss S/S*

**IMPLICATIONS FOR FINANCE BILL OF POSSIBLE EARLY GENERAL ELECTION**

You may remember that when we showed you our initial list of possible Budget briefs, you queried whether this one should be included. Mr Allan and Mr Hudson had a similar reaction.

2. I attach the brief which the Revenue have provided. Miss Sinclair tells me that it is not very closely linked to the contents of the 1987 Budget and could mislead. So FP will want to scrutinise the text in any case.

3. In substance, the brief seems fairly innocuous to me and the Revenue have told us that similar material was included in the 1983 Budget brief.

4. I suspect that IDT may well be asked this kind of question, so that we shall want some sort of briefing to hand. (I gather Miss Sinclair's own submission to the Chancellor was given a very restricted circulation.) It could also prove useful operationally! The question is simply whether we include it in the Budget brief itself. Do you or Mr Allan still have strong feelings?

*MOM*

MISS M O'MARA

*29  
6/3*

**BUDGET CONFIDENTIAL**  
**until after Budget Speech on 17.3.87**  
**then UNCLASSIFIED**

LL3

LL3

**MM5 IMPLICATIONS FOR FINANCE BILL OF POSSIBLE EARLY GENERAL ELECTION**

Factual

- (i) - Income tax (as "annual" tax) and mortgage interest relief ceiling reimposed each year.
- X - Most other taxes, including <sup>VAT,</sup> continue without fresh legislation.
- X - Income tax and capital <sup>gains</sup> ~~going~~ tax thresholds and inheritance tax thresholds and rates automatically indexed unless overridden.
- Corporation tax (CT) also annual tax but rates could be set in arrears in 1988 Finance Act (normal practice until 1984).
- Advance corporation tax (ACT) since 1986 automatically follows level of income tax basic rate.
- (ii) - Provisional Collection of Taxes Act (PCTA) gives statutory effect until 5 August to Resolutions passed on Budget Day renewing certain taxes or increasing excise duties. So Finance Bill must be enacted by 5 August or power to collect taxes will cease and tax already collected under Resolutions will have to be refunded.
- Stamp duty covered by parallel provision to PCTA; but if measures not enacted, or Resolution falls, no need to refund duty.
- (iii) PCTA or equivalent Resolution falls if Finance Bill not had Second Reading within 25 sitting days of Resolutions being passed. (Assuming 11-day Easter recess, deadline for Second Reading 30 April in 1987.)
- (iv) PCTA Resolution also falls if Parliament dissolved. Therefore essential to enact at least "Caretaker" Finance Bill before [?] or dissolution.
- (v) Minimum provisions in Caretaker Bill
- Imposition of rates and allowances for income tax, and setting of
- X effective date of PAYE changes.
- Imposition of £30,000 mortgage interest relief ceiling (otherwise unlimited relief due).
- Change to excise duties implemented at Budget time.



**BUDGET CONFIDENTIAL**  
**until after Budget Speech on 17.3.87**  
**then UNCLASSIFIED**

LL3

(vi) Also desirable for Caretaker Bill to cover

- Stamp duty changes, otherwise revert to pre-Budget position when Resolutions fall. [Miss Sinclair queries whether this would be necessary in 1987.]
- Any other changes (apart from stamp duty) given immediate effect under PCTA (or equivalent) Resolutions eg new higher limit for payroll giving (see KK1).

(vii) Recent precedents

- 1979 (May Election): 2-page Finance Act covered most items in (v) and (vi).
- X 1983 (June Election): 79-page Finance Act covered most items at (v) / X and (vi), plus some other provisions agreed by Opposition.

(viii) Measures enacted in pre-Election Finance Act could be overridden or supplemented by incoming Government, but can be difficult to reduce personal allowances or increase tax rates, especially part way through tax year.

Contact point: A J Walker (Inland Revenue) 2541 6302

CONFIDENTIAL

RP

FROM: D N WALTERS  
 DATE: 5 MARCH 1987

1. MISS SINCLAIR *5/3.*
2. PS/CHIEF SECRETARY

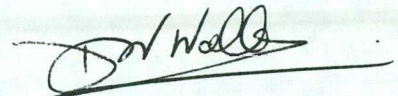
cc Principal Private Secretary  
 PS/Financial Secretary  
 PS/Economic Secretary  
 PS/Minister of State  
 Sir Peter Middleton  
 Mr Scholar  
 Mr Dyer  
 Mr Graham - Parliamentary  
 Counsel

### 1987 FINANCE BILL: TIMETABLE

In your minute of 3 March to Brian Dyer you asked if FP could urgently explore the possibility of publishing the Finance Bill on 8 April.

2. I have spoken previously to Mr Graham about his timetable and he is clear that it contains no slack. He cannot plan to pass the final version of the Bill to the House Authorities and printers before 3 April. Consequently, if we are to go for publication on 8 April the day's saving has to be found from the printer's timetable. I have spoken to the production manager at the HMSO press. He expressed some concern at losing a day from his programme. He cited the fact that he is operating new plant and that his operators are still in the learning stage. Hence, if any difficulties were to arise he would have little room for manoeuvre. However, on being pressed, he advised that provided publication was not needed early on the 8th ie not before pm, he thought that he could probably meet publication on that day.

3. My reading of the situation is that, provided Mr Graham signs off the proof on time and if Ministers are set on publication on the 8th, the timetable could be met.



D N WALTERS

BF 10/3



H.M. CUSTOMS AND EXCISE  
KING'S BEAM HOUSE, MARK LANE  
LONDON EC3R 7HE

Please Dial my Extension Direct:  
Use Code (01)-382 followed by  
Extension Number 5.....023

*Thanks.  
2. As soon as the submission  
@ X has been rec'd,  
I will discuss this @  
program. M.*

From: P G WILMOTT  
Date: 6 MARCH 1987

1. Mr Knox *DK 6/3*
2. Chancellor

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Cassell  
Mr Scholar  
Mr Culpin  
Miss O'Mara  
Miss Sinclair  
Miss C Evans  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie  
PS/Inland Revenue  
Mr Graham - Parl.  
Counsel

*Ch  
This - and the attached resolutions,  
has in fact gone a step further, by riling  
out new clauses/amendments on petrol  
(other than unleaded) as well as on drink  
or tobacco. OK?  
AA*

**EXCISE DUTIES: RESTRICTION OF DEBATE IN FINANCE BILL STAGES**

You commissioned a note at the Overview meeting of 2 March about the possibility of Ways and Means Resolutions being drafted so as to make new clauses on alcohol and tobacco out of order.

2. Our advice from Parliamentary Counsel is that it would be possible to frame the 'amendment of the law' Resolution (ALR) in such a way as to preclude any amendment to excise duties other than betting duty, gaming machine licence duty, vehicle excise

Internal distribution: CPS, Mr Knox, Solicitor, Mr Jefferson Smith, Mr Butt, Mr Bone.

X) duty and hydrocarbon oil duty on unleaded petrol. This would be in addition to the usual ALR wording which restricts amendments on VAT, on which FP will be submitting shortly. Although new clauses on most oils would thus be out of order (in addition to any on alcohol and tobacco), framing the ALR to allow them to be moved would look distinctly odd.

3. We are aware of no precedent for precluding amendments specifically on excise duties, although the VAT provision could be said to provide a parallel. Such an innovation could therefore provoke questions about why the opportunity for debate in the House was being restricted. However, this is very much a matter for political decision.



P G WILMOTT

# RESOLUTIONS TO BE MOVED BY THE CHANCELLOR OF THE EXCHEQUER

17th MARCH 1987

FIRST PRINT

Ch

Have got on board print about  
making new classes in 1987/88, cigarettes, petrol  
out of water.

AA



( 2 )

Mr Chancellor of the Exchequer

PROVISIONAL COLLECTION OF TAXES: That, pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following Motions:—

- (a) Unleaded petrol (Motion No. 1); and
- (b) Vehicles excise duty (farmers' goods vehicles) (Motion No. 3).





## ARRANGEMENT OF WAYS AND MEANS RESOLUTIONS

1. Amendment of the law.
2. Unleaded petrol.
3. Vehicles excise duty (farmers' goods vehicles).
4. Vehicles excise duty (recovery vehicles).
5. Vehicles excise duty (trade licences).
6. Abolition of general betting duty on on-course bets.
7. Gaming machine licence duty (rates).
8. Gaming machine licence duty (exemptions etc.).
9. Value added tax (credit for input tax).
10. Value added tax (supplies to groups).
11. Value added tax (valuation).
12. Value added tax (issue of securities).
13. Value added tax (supplies received from abroad).
14. Value added tax (tour operators).
15. Value added tax (supplies abroad, etc.).
16. Value added tax (registration).
17. Income tax (charge and rates for 1987-88).
18. Income tax (indexed personal reliefs etc.): operative date for PAYE.
19. Increased personal relief for those aged eighty and over.
20. Increased relief for blind persons.
21. Relief for interest (limit for 1987-88).
22. Corporation tax (charge and rate for financial year 1987).
23. Corporation tax (small companies).
24. Companies' chargeable gains.
25. Charities.
26. Registered friendly societies.
27. Annuities, etc.
28. Retirement benefits schemes.
29. Income support.
30. Underwriters.
31. Foreign partnerships.
32. Companies: material interests.
33. Apportionment of income etc. of close companies.
34. Corporation tax (payment dates).
35. Charges on income.
36. Investment companies.
37. Recognised investment exchanges.
38. Controlled foreign companies.
39. Dual resident companies.
40. Double taxation relief: interest on overseas loans.
41. Advance corporation tax: oil industry.
42. Commodity futures, financial futures and options.
43. Stamp duty (clearance services).
44. Stamp duty (market makers).
45. Stamp duty (Crown exemption).
46. Stamp duty reserve tax.
47. Inheritance tax.
48. Oil taxation: market value of oil.
49. Collective investment schemes.
50. Relief from tax (incidental and consequential charges).



1. Amendment of the law

That it is expedient to amend the law with respect to the National Debt and public revenue and to make further provision in connection with finance; but this Resolution does not extend—

↳ (1) to the making of any amendment with respect to any duty of excise other than general betting duty, gaming machine licence duty and vehicles excise duty;

(2) to the making of any amendment with respect to value added tax so as to provide—

(a) for zero-rating or exempting any supply;

(b) for refunding any amount of tax;

(c) for varying the rate of that tax otherwise than in relation to all supplies and importations; or

(d) for relief other than relief applying to goods of whatever description or services of whatever description.



2. Unleaded petrol

That, as from 6 o'clock in the evening of 17th March 1987,—

(1) after section 13 of the Hydrocarbon Oil Duties Act 1979 there shall be inserted the following section—

“Rebate on  
unleaded  
petrol 13A.—(1) On unleaded petrol charged with the excise duty on hydrocarbon oil and delivered for home use there shall be allowed at the time of delivery a rebate of duty at the rate of £0·0096 a litre.

(2) For the purposes of this section petrol is “unleaded” if it contains not more than 0·013 grams of lead per litre of petrol or, if the petrol is delivered for home use before 1st April 1990, not more than 0·020 grams of lead per litre of petrol.

(3) Rebate shall not be allowed under this section in any case where it is allowed under section 14 below.”

(2) in section 24 of that Act (control of use of duty-free and rebated oil) in subsection (1) (power of Commissioners to make regulations) after the words “section 12” there shall be inserted “section 13A”.

(3) in section 27 of that (interpretation) in the definition of “rebate” after the words “section 11” there shall be inserted “13A”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



3. Vehicle excise duty (farmers' goods vehicles)

That schedule 4 to each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972 shall have effect, in relation to licences taken out after 17th March 1987, with the amendments set out below;

But this Resolution shall not authorise the making of amendments which would result in different provisions being in force in different parts of Great Britain:

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968:

(1) In Part I, in sub-paragraph (2) of paragraph 6 (farmers' goods vehicle or showman's goods vehicle having a plated gross weight or a plated train weight) in paragraph (b) (weight exceeding 7.5 tonnes but not exceeding 12 tonnes for "£155" (which applies to farmers' goods vehicles only) there shall be substituted "£175"; and

(2) In Part II, for Tables A(1), C(1) and D(1) (rates for farmers' goods vehicles having plated weight exceeding 12 tonnes) there shall be substituted the Tables set out below:

TABLE A(1)

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

RATES FOR FARMERS' GOODS VEHICLES

Plated gross weight of vehicle		Rate of duty		
1. Exceeding	2. Not exceeding	3. Two axle vehicle	4. Three axle vehicle	5. Four or more axle vehicle
tonnes	tonnes	£	£	£
12	13	245	190	190
13	14	340	205	205
14	15	445	205	205
15	17	620	205	205
17	19	—	295	205
19	21	—	395	205
21	23	—	540	295
23	25	—	965	415
25	27	—	—	600
27	29	—	—	880
29	30.49	—	—	1,450





TABLE C(1)

RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12 TONNES PLATED TRAIN WEIGHT AND HAVING ONLY 2 AXLES

RATES FOR FARMERS' GOODS VEHICLES

Plated train weight of tractor unit		Rate of duty		
1.	2.	3.	4.	5.
Exceeding	Not exceeding	For a tractor unit to be used with semi-trailers with any number of axles	For a tractor unit to be used only with semi-trailers with not less than two axles	For a tractor unit to be used only with semi-trailers with not less than three axles
tonnes	tonnes	£	£	£
12	14	280	250	250
14	16	355	265	265
16	18	415	265	265
18	20	485	265	265
20	22	565	330	265
22	23	600	370	265
23	25	690	470	265
25	26	690	520	320
26	28	690	655	430
28	29	725	725	490
29	31	1,010	1,010	630
31	33	1,470	1,470	1,010
33	34	1,470	1,470	1,350
34	36	1,650	1,650	1,650
36	38	1,860	1,860	1,860

TABLE D(1)

RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12 TONNES PLATED TRAIN WEIGHT AND HAVING THREE OR MORE AXLES

RATES FOR FARMERS' GOODS VEHICLES

Plated train weight of tractor unit		Rate of duty		
1.	2.	3.	4.	5.
Exceeding	Not exceeding	For a tractor unit to be used with semi-trailers with any number of axles	For a tractor unit to be used only with semi-trailers with not less than two axles	For a tractor unit to be used only with semi-trailers with not less than three axles
tonnes	tonnes	£	£	£
12	14	250	250	250
14	20	265	265	265
20	22	330	265	265
22	23	370	265	265
23	25	470	265	265
25	26	520	265	265
26	28	655	265	265
28	29	725	310	265
29	31	1,010	385	265
31	33	1,470	580	265
33	34	1,470	850	330
34	36	1,470	1,220	500
36	38	1,640	1,640	745



4. Vehicles excise duty (recovery vehicles)

That provision may be made for, and in connection with, establishing recovery vehicles as a description of vehicles for which a separate rate of duty is chargeable under the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972.

5. Vehicles excise duty (trade licences)

That provision may be made with respect to the rates of duty applicable to trade licences under section 16 of each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972.



6. Abolition of general betting duty on on-course bets

That—

(1) general betting duty shall not be chargeable on any bet made on or after 29th March 1987 which is an on-course bet within the meaning of Part I of the Betting and Gaming Duties Act 1981 (“the 1981 Act”);

(2) nothing in this Resolution shall affect—

(a) the question whether a person is for the purposes of Schedule 1 to the 1981 Act carrying on a general betting business or engaged in an activity by reason of which he is or may be or become liable for general betting duty, or

(b) the question whether a person is for the purposes of Schedule 2 to the said Act of 1972 carrying on a business which involves or may involve general betting duty becoming payable or engaged in an activity by reason of which he is or may be or become liable for duty:

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

7. Gaming machine licence duty (rates)

That, with respect to licences for any period beginning on or after 1st June 1987, for the Tables set out in section 23(1) of the Betting and Gaming Duties Act 1981 there shall be substituted the following Tables.

TABLE A  
SMALL PRIZE MACHINES

Description of machines authorised by the licence	Duty on whole-year licence
Chargeable at the lower rate ... ..	£150 per machine
Chargeable at the higher rate ... ..	£375 per machine

TABLE B  
OTHER MACHINES

Description of machines authorised by the licence	Duty on whole-year licence
Chargeable at the lower rate ... ..	£375 per machine
Chargeable at the higher rate ... ..	£960 per machine

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

8. Gaming machine licence duty (exemptions etc.)

That provision may be made amending Schedule 4 to the Betting and Gaming Duties Act 1981 (exemptions and supplementary provisions relating to gaming machine licence duty).



## 9. Value added tax (credit for input tax)

That, in relation to supplies and importations made on or after 1st April 1987, the Value Added Tax Act 1983 shall have effect with the following amendments:

(1) In section 15, in subsection (1), for the words from “be determined” to the end of the subsection there shall be substituted the words “so much of the input tax for the period (that is input tax on supplies and importations in the period) as is allowable by or under regulations as being attributable to taxable supplies made or to be made by him [in the course or furtherance of his business].”

(2) In subsection (2) of that section, for the words from “supplies of” to “person as” there shall be substituted the words “all the input tax for a period as being attributable to”.

(3) In subsection (3) of that section, for paragraph (a) there shall be substituted—

“(a) determining a proportion by reference to which input tax for any prescribed accounting period is to be provisionally attributed to taxable supplies;”

(4) In subsection (3) of that section, after paragraph (c) there shall be added—

“(d) the making of payments in respect of input tax, by the Commissioners to a taxable person (or a person who has been a taxable person) to the Commissioners, in cases where events falsify an estimate on the basis of which an attribution was made.”

(5) After subsection (3) of that section there shall be inserted—

“(3A) References in this section to taxable supplies shall be construed as including references to—

(a) supplies made in a member State other than the United Kingdom which would have been taxable supplies if made in the United Kingdom; and

(b) supplies which section 35 below provides are to be disregarded for the purposes of this Act [and which would otherwise have been taxable supplies].”

(6) In section 6(1), for the words “the charge to tax” there shall be substituted the words “this Act”.

(7) In section 35(1) and (2), for the words “shall be disregarded” there shall be substituted the words “shall, except where the contrary intention appears, be disregarded”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.





## 10. Value added tax (supplies to groups)

That, in relation to transfers of assets made on or after 1st April 1987, the Value Added Tax Act 1983 shall have effect with the insertion after section 29 of the following section—

“Supplies  
to  
groups.

29A.—(1) Subject to subsection (2) below, subsection (3) below applies where—

- (a) a business, or part of a business, [carried on by a taxable person] is transferred as a going concern to a body corporate treated as a member of a group under section 29 above;
- (b) [on] the transfer of the business or part, chargeable assets of the business are transferred to the body corporate; and
- (c) the transfer of the assets is by virtue of section 3(3) (c) above as neither a supply of goods nor a supply of services.

(2) Subsection (3) below does not apply unless—

- (a) during the prescribed accounting period in which the assets are transferred, or
- (b) during a longer period to which regulations under section 15(3) (b) above relate and [in which the assets are transferred],

an exempt supply is made to a member of the group.

(3) The chargeable assets shall be treated as being, at the time they are transferred, both supplied to the representative member of the group for the purpose of its business and supplied by that member in the course or furtherance of its business.

(4) A supply treated under subsection (3) above as made by a representative member shall not be taken into account as a supply made by him when determining the allowance of input tax in his case under section 15(1) above.

(5) The value of a supply treated under subsection (3) above as made to or by a representative member shall be taken to be the open market value of the chargeable assets—

- (a) where the person by whom they are transferred and any member of the group are connected (which shall be determined in accordance with section 533 of the Taxes Act;
- (b) where the chargeable assets are transferred together with other assets of the business which are not chargeable assets; or
- (c) where no consideration is given for the transfer of chargeable assets, or where the consideration given does not consist, or does not wholly consist, of money.



(6) The value of a supply treated under subsection (3) above as made to or by a representative member and not within subsection (5) above shall be taken to be [such amount as, with the addition of the tax chargeable, is equal to the consideration in money given for the transfer of chargeable assets].

(7) For the purposes of this section, the open market value of any chargeable assets shall be taken to be the amount that would fall to be taken as the value of the supply under subsection (6) above if they were transferred for such consideration in money as would be payable by a person standing in no such relationship with any person as would affect that consideration.

(8) The Commissioners may [abate] any tax which is chargeable by virtue of subsection (3) above in a case where they are satisfied that the person by whom the chargeable assets are transferred has not [received credit] for the full amount of input tax arising on the [acquisition] by him of the chargeable assets.

(9) For the purposes of this section, assets are chargeable assets if their supply in the United Kingdom by a taxable person in the course of furtherance of his business, would be a taxable supply (and not a zero rated supply).”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



## 11. Value added tax (valuation)

That, in relation to supplies made on or after 1st April 1987, Schedule 4 to the Value Added Tax Act 1983 shall have effect with the insertion, at the beginning of paragraph 1(1) (c), of the words "if the supply is a taxable supply,".

And it is hereby declared that it is in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

## 12. Value added tax (issue of securities)

That, in relation to supplies made on or after 1st April 1987, Schedule 6 to the Value Added Tax Act 1983 shall have effect with the insertion of the following item after item 6 of Group 5—

"6A. The making of arrangements for, or the underwriting of, an issue within item 6."

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

## 13. Value added tax (supplies received from abroad)

That, with respect to services supplied on or after 1st April 1987, section 7 of the Value Added Tax Act 1983 (reverse charge on supplies received from abroad) shall be amended as follows—

- (a) in paragraph (b) of subsection (1), for the words "taxable person" there shall be substituted "person (in this section referred to as 'the recipient')";
- (b) in subsection (1), in the words following paragraph (b) for the words "as if the taxable person" there shall be substituted "as if the recipient";
- (c) in subsections (3) and (4) for the words "taxable person" there shall be substituted "recipient"; and
- (d) in subsection (3) for the words "the allowance" there shall be substituted "any allowance".

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

## 14. Value added tax (tour operators)

That provision may be made about the treatment for the purposes of value added tax of supplies by tour operators, travel agents and others making like supplies.

## 15. Value added tax (supplies abroad etc)

That the Value Added Tax Act 1983 may be amended by provisions relating to the transfer of goods or services from the United Kingdom, the supply of goods or services outside the United Kingdom, or the supply of goods in warehouse.

## 16. Value added tax (registration)

That provision may be made as to registration under the Value Added Tax Act 1983.



17. Income tax (charge and rates for 1987-88)

That—

(1) Income tax for the year 1987-88 shall be charged at the basic rate of 27 per cent and, in respect of so much of an individual's total income as exceeds £17,900 (the basic rate limit as determined under subsection (4) of section 24 of the Finance Act 1980—indexation), at such higher rates as are specified in the Table below:

TABLE										
<i>Higher rate bands</i>										<i>Higher rate</i>
The first £2,500	...	...	...	...	...	...	...	...	...	40 per cent.
The next £5,000	...	...	...	...	...	...	...	...	...	45 per cent.
The next £7,900	...	...	...	...	...	...	...	...	...	50 per cent.
The next £7,900	...	...	...	...	...	...	...	...	...	55 per cent.
The remainder	...	...	...	...	...	...	...	...	...	60 per cent.

(2) Section 24(4) of the Finance Act 1980 (indexation of thresholds) shall not, so far as it relates to the higher rate bands, apply for the year 1987-88.

(3) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 204 of the Income and Corporation Taxes Act 1970 (pay as you earn) before 18th May 1987.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

18. Income tax (indexed personal reliefs etc.): operative date for PAYE

That, for the year 1987-88, in subsection (7) of section 24 of the Finance Act 1980 (which specifies the date from which indexed changes in income tax thresholds and allowances are to be brought into account for the purposes of PAYE) for "5th May" there shall be substituted "18th May":

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.





## 19. Increased personal relief for those aged eighty and over

That, for the year 1987–88 and subsequent years of assessment—

(1) Subject to the provisions of this Resolution, subsection (1) of section 8 of the Income and Corporation Taxes Act 1970 (personal reliefs) shall have effect—

- (a) in relation to a claim by a person who proves that he or his wife was at any time within the year of assessment of the age of eighty or upwards, as if the sum specified in paragraph (a) (married) were £4,845; and
- (b) in relation to a claim by a person who proves that he was at any time within the year of assessment of the age of eighty or upwards, as if the sum specified in paragraph (b) (single) were £3,070;

and for this purpose, a person who would have been of the age of eighty or upwards within the year of assessment if he had not died in the course of it shall be treated as having been of that age within that year:

(2) For any year of assessment for which a person is entitled to increased personal relief by virtue of this Resolution, he shall not be entitled to increased relief under subsection (1A) of the said section 8 (increased relief for persons of sixty-five and upwards):

(3) For the purpose of any enactment which refers to Part I of the Income and Corporation Taxes Act 1970 or to Chapter II of that Part, paragraph (1) above shall be taken to be included in that Chapter:

(4) In the following enactments—

- (a) subsection (1B) of the said section 8 (tapering of relief under subsection (1A)), and
- (b) paragraph 3(3) of Schedule 4 to the Finance Act 1971 (exclusion of certain reliefs where there is separate taxation of wife's earnings),

any reference to subsection (1A) of the said section 8 shall include a reference to paragraph (1) above:

(5) In subsection (8) of section 36 of the Finance Act 1976 (application of provisions relating to transfer of balance of certain reliefs between spouses) the reference in paragraph (b) to subsection (1A)(b) of the said section 8 shall include a reference to paragraph (1)(b) above:

(6) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 204 of the Income and Corporation Taxes Act 1970 (pay as you earn) before 18th May 1987:

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

## 20. Increased relief for blind persons

That—

(1) For the year 1987–88 and subsequent years of assessment, in section 18 of the Income and Corporation Taxes Act 1970—

- (a) in subsection (1) (single blind persons and married couples of whom one is blind) for “£360” there shall be substituted “£540”; and
- (b) in subsection (2) (married couples, both of whom are blind) for “£720” there shall be substituted “£1,080”.

(2) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 204 of the Income and Corporation Taxes Act 1970 (pay as you earn) before 18th May 1987.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



21. Relief for interest (limit for 1987–88)

That, for the year 1987–88, the qualifying maximum referred to in paragraphs 5(1) and 24(3) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) shall be £30,000:

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

22. Corporation tax (charge and rate for financial year 1987)

That corporation tax shall be charged for the financial year 1987 at the rate of 35 per cent.

23. Corporation tax (small companies)

That—

- (a) the small companies rate for the financial year 1987 shall be 27 per cent; and
- (b) the fraction by reference to which corporation tax charged on income is reduced under section 95(2) of the Finance Act 1972 shall for that financial year be one fiftieth.

24. Companies' chargeable gains

That provision may be made with respect to the treatment of the chargeable gains of companies for the purposes of corporation tax.

25. Charities

That for the year 1987–88 and subsequent years of assessment section 27(7) of the Finance Act 1986 (which limits to £100 the payroll deductions attracting relief) shall have effect with the substitution of "£120" for "£100".

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

26. Registered friendly societies

That provision may be made—

- (a) amending section 332(2) of the Income and Corporation Taxes Act 1970 and section 64 of the Friendly Societies Act 1974 with respect to contracts for the assurance of gross sums under tax exempt life or endowment business of registered friendly societies; and
- (b) amending the operation of section 400 of that Act with respect to gains arising in connection with policies issued in the course of such business by registered friendly societies.

27. Annuities, etc.

That provision may be made about contracts or trust schemes providing for the payment of annuities or lump sums.



28. Retirement benefits schemes

That provision may be made about retirement benefits schemes.

29. Income support

That provision may be made charging to income tax under Schedule E payments of income support under the Social Security Act 1986 or the Social Security (Northern Ireland) Order 1986.

30. Underwriters

That charges to income tax (including charges for the years of assessment 1985–86 and 1986–87) may be imposed by provisions about underwriters.

31. Foreign partnerships

That provision may be made, with retrospective effect, with respect to the taxation of persons resident in the United Kingdom who are members of partnerships resident outside the United Kingdom.

32. Companies: material interests

That provision may be made as to the cases in which a person is to be regarded as having a material interest in a company for certain purposes of the Tax Acts.

33. Apportionment of income etc. of close companies

That provision may be made amending Schedule 16 to the Finance Act 1972.

34. Corporation tax (payment dates)

That provision may be made as to the time within which corporation tax in respect of any accounting period of a company is required to be paid.

35. Charges on income

That provision may be made with respect to the dates on which certain payments made between companies are to be treated as received.



36. Investment companies

That amendments may be made to section 304 of the Income and Corporation Taxes Act 1970.

37. Recognised investment exchanges

That charges to income tax, corporation tax and capital gains tax may be imposed by provisions enabling enactments referring to The Stock Exchange to have effect, with or without modification, in relation to other recognised investment exchanges.

38. Controlled foreign companies

That provision may be made with respect to the circumstances in which a controlled foreign company, within the meaning of Chapter VI of Part II of the Finance Act 1984, is to be regarded as pursuing an acceptable distribution policy.

39. Dual resident companies

That provision may be made with respect to companies which are resident in the United Kingdom and are also within a charge to tax under the laws of a territory outside the United Kingdom.

40. Double taxation relief: interest on overseas loans

That provision may be made amending sections 65 and 66 of the Finance Act 1982.

41. Advance corporation tax: oil industry

That provision may be made with respect to the setting of advance corporation tax against corporation tax on profits arising from oil extraction activities or oil rights, within the meaning of Part II of the Oil Taxation Act 1975.

42. Commodity futures, financial futures and options

That provision may be made—

- (a) for bringing gains on certain disposals of commodity futures, financial futures and options within the charge to capital gains tax or corporation tax on chargeable gains, and
- (b) with respect to the treatment under the Capital Gains Tax Act 1979 of certain options.





43. Stamp duty (clearance services)

That provision may be made with respect to stamp duty in relation to instruments transferring securities to persons concerned with clearance services.

44. Stamp duty (market makers)

That amendments may be made to section 82(6) of the Finance Act 1986.

45. Stamp duty (Crown exemption)

That charges to stamp duty may be imposed by provisions relating to instruments made by, to or with Ministers of the Crown.

46. Stamp duty reserve tax

That charges to stamp duty reserve tax may be imposed by further provisions relating to that tax.

47. Inheritance tax

That charges to inheritance tax may be imposed—

- (a) by provisions relating to property which becomes “relevant property” for the purposes of Chapter III of Part III of the Inheritance Act 1984 (settlements without interests in possession),
- (b) by provisions relating to relief under Chapter I (business property) or Chapter II (agricultural property) of Part V of that Act,
- (c) by provisions relating to settled property of the kind to which Schedule 4 to that Act (maintenance funds for historic buildings etc.) relates, and
- (d) by provisions relating to the payment of tax by instalments.

48. Oil taxation: market value of oil

That provision may be made with respect to the determination of the market value of oil for the purposes of provisions of the Oil Taxation Act 1975.

49. Collective investment schemes

That charges to income tax, corporation tax, capital gains tax, inheritance tax, stamp duty and stamp duty reserve tax may be imposed by provisions relating to unit trust schemes or to other collective investment schemes.

50. Relief from tax (incidental and consequential charges)

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) which may arise from provisions designed in general to afford relief from tax.



PROCEDURE RESOLUTIONS

PROCEDURE (EXCHANGE AND FINANCIAL CONTROL): That, notwithstanding anything to the contrary in the practice of the House relating to matters which may be included in Finance Bills, any Finance Bill of the present Session may—

- (a) make provision for and in connection with the repeal of the Exchange Control Act 1947; and
- (b) amend section 2 of the Banking and Financial Dealings Act 1971.

PROCEDURE (FUTURE TAXATION): That, notwithstanding anything to the contrary in the practice of the House relating to matters which may be included in Finance Bills, any Finance Bill of the present Session may contain provisions taking effect in a future year with respect to the time within which corporation tax in respect of any accounting period of a building society is required to be paid.



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xiii—D(1)

6 March 1987

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CONFIDENTIAL

PUP



FROM: JILL RUTTER

DATE: 9 March 1987

MR WALTERS

CC

Principal Private Secretary

PS/Financial Secretary

PS/Economic Secretary

PS/Minister of State

Sir Peter Middleton

Mr Scholar

Miss Sinclair

Mr Dyer

Mr Graham - Parliamentary Counsel

## 1987 FINANCE BILL: TIMETABLE

The Chief Secretary has seen your minute of 5 March. On the basis of the printers' views the Chief Secretary confirms that he wants to aim for publication on 8 April.

A handwritten signature in cursive script, appearing to read "Jill Rutter".

JILL RUTTER

Private Secretary

BUDGET SECRET



Copy No. 19 of 20.

FROM: A C S ALLAN  
DATE: 9 MARCH 1987

MR WILMOTT

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Cassell  
Mr Scholar  
Mr Culpin  
Miss O'Mara  
Miss C Evans  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie  
PS/IR  
PS/C&E  
Mr Knox - C&E  
Mr Graham - Parl.  
Counsel

**EXCISE DUTIES: RESTRICTION OF DEBATE IN FINANCE BILL STAGES**

The Chancellor was grateful for your minute of 6 March, and to you and Parliamentary Counsel for devising a way to frame the ALR so as to rule out of order any new clauses.

2. But on reflection he feels that it would be preferable to stick to the traditional format, and have only the standard restrictions on changes to VAT.

A handwritten signature in black ink, appearing to read 'ACSA' with a horizontal line underneath.

A C S ALLAN



CONFIDENTIAL



RP

FROM: CATHY RYDING

DATE: 9 March 1987

MR B O DYER

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Scholar  
Miss Sinclair  
Mr Walters  
Mr Graham - PCO  
  
PS/IR  
PS/C&E

**1987 FINANCE BILL: BACKERS**

The Chancellor was grateful for your minute of 6 March.

2. The Chancellor is content for you to proceed as last year.

CR

CATHY RYDING

CONFIDENTIAL



01-270 4520

FROM : B O DYER  
 DATE : 6 March 1987

CHANCELLOR

*9/ content to proceed  
 as last year?*

*OK ✓*

*CR 6/3*

cc Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Sir P Middleton  
 Mr Scholar  
 Miss Sinclair  
 Mr Walters  
 Mr Graham - PCO  
 PS/IR  
 PS/C&E

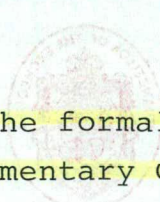
**1987 FINANCE BILL : BACKERS**

We shall shortly need to provide Parliamentary Counsel with the names of the Ministers to 'back' this year's Finance Bill.

2. For the record, Counsel give the list of Backers to the Public Bill Office when handing in the Bill text. The list is subsequently passed to the Treasury Minister presenting the Bill (traditionally the Financial Secretary) to read out when he 'Walks the Floor' at the conclusion of the Budget debates, and after the passing of the associated Resolutions (around 10.30pm on Monday 23 March).

3. By convention the Chairman of Ways and Means heads the list of 'backers' and includes all the Treasury Ministers in the Commons. In addition, up to six other Ministers may be associated with the Bill. These are usually Ministers who have an interest in one or more of its clauses or have taken part in the Budget debates. The 1986 Bill was supported by the Secretaries of State for Energy, Social Services, Transport, Environment, Trade and Industry and the Paymaster General.

4. It would seem perfectly in order for the same departmental Ministers to support this year's Bill - although the choice, of course, is entirely yours. If you are content to proceed



as last year, I will seek the formal agreement of the Ministers concerned and inform Parliamentary Counsel accordingly.

5. The foregoing has been cleared with FP.

*Colin Hutchinson*

PP

**B O DYER**



PS / Chancellor

1. Mr. Savage
2. For file

RP

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 4520

Dear Parliamentary Clerk

9 March 1987

**BACKERS FOR THE 1987 FINANCE BILL**

As you know, the Chancellor will open his Budget on Tuesday, 17 March. The Finance Bill, giving legislative effect to his proposals, will be brought in upon approval of the associated Resolutions at the conclusion of the Budget debates.

2. The purpose of this letter is to ask you to seek the agreement of your respective Secretaries of State and Paymaster General to support this year's Bill - ie to their being included in the list of "Backers".

3. The Bill, being founded on a Ways and Means Resolution, is traditionally brought in by the Chairman of Ways and Means, the Chancellor of the Exchequer, a selection of other Ministers in charge of Departments and the remaining members of the Treasury Ministerial team. On the assumption that each of your Ministers agree, the list would appear as follows:

- Ordered to be brought in by
- The Chairman of Ways and Means,
- The Chancellor of the Exchequer,
- Mr Secretary Walker,
- Mr Secretary Fowler,
- Mr Secretary Ridley,
- Mr Kenneth Clarke,
- Mr John MacGregor,
- Mr Secretary Channon,
- Mr Secretary Moore,
- Mr Norman Lamont,
- Mr Ian Stewart and
- Mr Peter Brooke

4. A phone call will suffice to confirm that your Minister will support the Bill.

Yours sincerely,

B O DYER  
Parliamentary Clerk

Department of Energy  
Department of Health and Social Security  
Department of the Environment

Department of Employment  
Department of Trade and Industry  
Department of Transport

## BUDGET CONFIDENTIAL

FROM: D N WALTERS  
DATE: 10 MARCH 1987

*pm*

1. ~~MISS SINCLAIR~~ <sup>not seen.</sup>  
2. CHIEF SECRETARY

cc Chancellor of the Exchequer  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Mr Cassell  
Mr Scholar  
Mr Dyer  
Mr Haigh  
Mr Romanski  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

PS/IR  
Mr Johns - IR  
PS/C&E  
Mr Wilmott - C&E  
Mr Graham - Parliamentar  
Counsel

*✓ passed to CS's office AA*  
*Keep ALR*  
*Resubmit -*  
*Shaw -*  
*an ALR form!*

**FINANCE BILL: AMENDMENT OF THE LAW RESOLUTION**

We need to confirm instructions to Parliamentary Counsel soon on the form of the Amendment of the Law Resolution (ALR) for the Finance Bill and on whether we are to have the usual Incidental Charges Resolution (ICR). Mr Wilmott has already minuted the Chancellor (6 March) on the excise duty aspects of the ALR.

**Amendment of the Law Resolution**

2. Every provision in the Finance Bill for a new tax, for increasing or extending an existing tax, or for renewing an annual tax must be founded on a corresponding Resolution of the House; and the Bill may not increase a tax above the level approved in the Resolution.

3. Provisions for reducing a tax, for dealing with the machinery of tax administration, and for amending the law dealing with the National Debt are covered by a general Resolution, the Amendment of the Law Resolution. Without an ALR, even relieving provisions would

have to have their own specific Resolutions. It would also be out of order for any Member to move new clauses or amendments which were not covered by a specific Resolution. This would restrict the discussion of the Bill considerably; a step which has only been taken in exceptional circumstances (for example, in 1974 before the General Election and in the summer of 1983 for the Second Finance Bill). Omitting the ALR would also greatly increase the number of specific Resolutions.

4. On the other hand, an ALR which left unlimited scope for debate would open the way to some amendments for selective tax reliefs inconsistent with Government policy, which it would be contentious and time-consuming to oppose. Hence the ALR has traditionally been phrased to restrict discussion of such areas as value added tax so far as is consistent with the content of the Bill. The ALR last year (copy attached) was drafted so as to exclude amendments designed to zero-rate or exempt individual items or to provide refunds of the tax. This drafting precludes amendments providing VAT relief for charities. This constraint does not apply to extension of VAT exemptions which are effected by Treasury Order, as would be the case with this year's Starters.

5. We therefore suggest that either the ALR should be in its standard form, excluding amendments with respect to VAT which sought to:

- (i) zero-rate or exempt any items;
- (ii) refund any amount of tax; or
- (iii) reduce the rate of VAT or give any relief in respect of specific supplies and not across the board.

*You have already said no.*  
Or, as discussed in Mr Wilmott's minute of 6 March, it should be drafted more restrictively to limit debate on excise duties also. Both approaches would be consistent with the way in which specific Budget resolutions on VAT items have been drafted.

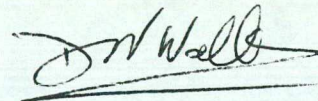
#### The Incidental Charges Resolution

6. Since 1959 the Resolutions have generally also included an Incidental Charges Resolution: a copy of the standard Resolution is

attached. It covers the possibility that Government clauses providing reliefs might in some extreme cases result in an increased charge for some taxpayers - without the ICR such clauses would be out of order. It also enables Members to move amendments and new clauses which are designed to relieve tax but which, because of some side effect, might in theory at least result in a tax charge in some cases and would otherwise also be out of order.

7. It would be unusual not to include such a Resolution and we recommend that one should be tabled this year in the standard form.

8. We would be grateful for your authority to proceed on these lines, so that instructions can be confirmed with Parliamentary Counsel.

A handwritten signature in black ink, appearing to read 'D N Walters', written in a cursive style. The signature is positioned above a horizontal line.

D N WALTERS

1. Amendment of the law

That it is expedient to amend the law with respect to the National Debt and public revenue and to make further provision in connection with finance; but this Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

- (a) for zero-rating or exempting any supply;
- (b) for refunding any amount of tax;
- (c) for varying the rate of that tax otherwise than in relation to all supplies and importations; or
- (d) for any relief other than relief applying to goods of whatever description or services of whatever description.



44. Relief from tax (incidental and consequential charges)

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) which may arise from provisions designed in general to afford relief from tax.



FROM: JILL RUTTER *JR*  
DATE: 11 March 1987

MR WALTERS

cc  
Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Mr Cassell  
Mr Scholar  
Miss Sinclair  
Mr Dyer  
Mr Haigh  
Mr Romanski  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

PS/IR  
Mr Johns - IR  
PS/C & E  
Mr Wilmott - C & E  
Mr Graham - Parliamentary Counsel

**FINANCE BILL: AMENDMENT OF THE LAW RESOLUTION**

The Chief Secretary has seen your minute of 10 March. He gives you authority to proceed along the lines proposed. He strongly prefers the first option in paragraph 5.

JILL RUTTER  
Private Secretary

BUDGET CONFIDENTIAL


 FROM: P D P BARNES  
 DATE: 11 March 1987
   
*RP*

PS/CHIEF SECRETARY

 cc: PS/Chancellor  
 PS/Financial Secretary  
 PS/Minister of State  
 Mr Scholar  
 Miss Sinclair  
 Mr Walters  
 Mr Dyer  
 Mr Cropper

## 1987 FINANCE BILL: STANDING COMMITTEE

The Economic Secretary has seen your minute to Mr Dyer of 11 March. The Economic Secretary would prefer, for obvious reasons, not to have Sir William Clark or Lloyd's members as backbench members of the Finance Bill Committee.

2. The Economic Secretary thinks that the Government backbenchers have been pretty good for the last two years, and he would welcome any of them (except Sir Brandon Rhys Williams).

*fr*
 P D P BARNES  
 Private Secretary

 1987: FINANCE BILL:  
 STANDING COMMITTEE

 PS/EST  
 TO  
 PS/EST  
 11/3

CONFIDENTIAL



MR DYER

FROM: JILL RUTTER  
DATE: 11 March 1987

*Revised  
Pse*

PS/CST  
TO  
DYER  
11/3

cc:  
Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Walters  
Mr Cropper

**1987 FINANCE BILL: STANDING COMMITTEE**

The Chief Secretary has seen your minute of 10 March.

2 His preference is for a Committee of 33.

3 The Chief Secretary would be grateful for views of his Ministerial colleagues on possible names. He will also discuss with Mr Neubert.

A handwritten signature in cursive script that reads "Jill Rutter".

JILL RUTTER  
Private Secretary

CONFIDENTIAL



FROM: CATHY RYDING  
DATE: 12 March 1987

PS/CHIEF SECRETARY

cc Financial Secretary  
Economic Secretary  
Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Dyer  
Mr Walters  
Mr Cropper

CR  
TO  
CST  
12/3

**1987 FINANCE BILL: STANDING COMMITTEE**

The Chancellor has seen Mr Dyer's minute to the Chief Secretary of 10 March.

2. On the size of the 1987 Finance Bill Standing Committee, the Chancellor suggests that we stick to last year's size.

3. On the names of Government backbenchers to be nominated for membership of the Standing Committee, the Chancellor thinks that the real question is which colleagues we wish not to be on the Committee (apart from Sir William Clark). The Chancellor would like to discuss this at Prayers.

CR

CATHY RYDING

CONFIDENTIAL



FROM: B O DYER  
DATE: 10 March 1987

01-270 4520

CHIEF SECRETARY

cc Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Walters  
Mr Cropper

*Handwritten notes:*  
Ok (a), I wd suggest...  
Realize size of task, no real  
yfm's size. No (b),  
question is which  
colleague we wish  
to be on  
the committee  
(apart from Sir W  
Clayton). We must  
discuss @ 10/3  
XX

1987 FINANCE BILL : STANDING COMMITTEE

It is perhaps not too early to give some thought to the size (composition) and membership of the 1987 Finance Bill Standing Committee.

**Size and Composition**

2. As a general rule, the composition of a Standing Committee reflects the state of the 'parties' on the floor of the House. For example, a Committee of 33, 36 or 40 would comprise, respectively:

Government seats:	20, 22 and 24
Labour	: 11, 12 and 13
Others	: 2, 2 and 3

On occasion, however, 'Other' parties are unable to field their full complement; as happened in the case of the 1986 Finance Bill Standing Committee, which comprised 21 Government supporters, 11 Labour and 1 Liberal (33 in all).

3. In the years 1977 to 1986 (excluding Election years), membership varied between 33 and 40 - the average being 36. Last year the number was 33, the year before 40. The Committee included the customary four Treasury Ministers (CST, FST,

DYER  
TO  
CST  
10/3

EST, MST), their respective PPSs, the Chancellor's PPS and a Treasury Whip (10 in all). A copy of the 1985 and 1986 Standing Committee membership is attached.

4. The larger the Committee, the more likely it will include Members from both ends of the political spectrum. On the other hand, I doubt it would be appropriate to have a Standing Committee any smaller than last year given the importance of the Finance Bill. Moreover, the 10 *places* pre-empted by the 'Treasury team' would leave too few seats for Government backbenchers and, presentationally, might provoke criticism.

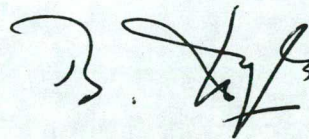
#### **Membership**

5. In theory, the determination of Standing Committee membership rests with the Committee of Selection. But, in practice, the Committee rarely rejects nominations received from the respective Party Whips. In this context, you will wish to consider the names of any particular Government backbenchers you would wish to see put forward for nomination.

#### **Summary**

6. It would be helpful to know your wishes on the following (for submission to the Whips):

- a) the size of the 1987 Finance Bill Standing Committee
- b) the names of any Government backbenchers you, and Ministerial colleagues, would wish to see nominated for membership of the Standing Committee, in addition to the 'Treasury team' of 10.



B O DYER  
Parliamentary Clerk

## THE COMMITTEE CONSISTED OF THE FOLLOWING MEMBERS:

Chairmen: Mr. Ted Leadbitter, Mr. John Hunt

Birmingham, Mr. Gerald ( <i>St. Helens, South</i> )	Lilley, Mr. Peter † ( <i>St. Albans</i> )
Blair, Mr. Tony ( <i>Sedgefield</i> )	Lord, Mr. Michael † ( <i>Suffolk, Central</i> )
Brooke, Mr. Peter ( <i>Minister of State, Treasury</i> ) †	McDonald, Dr. Oonagh ( <i>Thurrock</i> )
Browne, Mr. John ( <i>Winchester</i> )	MacGregor, Mr. John ( <i>Chief Secretary to the Treasury</i> ) †
Budgen, Mr. Nicholas ( <i>Wolverhampton, South-West</i> )	Mitchell, Mr. Austin ( <i>Great Grimsby</i> )
Caborn, Mr. Richard ( <i>Sheffield, Central</i> )	Moore, Mr. John ( <i>Financial Secretary to the Treasury</i> ) †
Chope, Mr. Christopher † ( <i>Southampton, Itchen</i> )	Portillo, Mr. Michael ( <i>Enfield, Southgate</i> )
Cocks, Mr. Michael ( <i>Bristol, South</i> )	Powell, Mr. William ( <i>Corby</i> )
Cohen, Mr. Harry ( <i>Leyton</i> )	Raynsford, Mr. Nick ( <i>Fulham</i> )
Corbyn, Mr. Jeremy ( <i>Islington, North</i> )	Rhys Williams, Sir Brandon ( <i>Kensington</i> )
Davies, Mr. Ron ( <i>Caerphilly</i> )	Sainsbury, Mr. Tim † ( <i>Hove</i> )
Davis, Mr. Terry ( <i>Birmingham, Hodge Hill</i> )	Stewart, Mr. Ian ( <i>Economic Secretary to the Treasury</i> ) †
Forman, Mr. Nigel ( <i>Carshalton and Wallington</i> )	Ward, Mr. John † ( <i>Poole</i> )
Hanley, Mr. Jeremy ( <i>Richmond and Barnes</i> )	Watts, Mr. John ( <i>Slough</i> )
Henderson, Mr. Barry † ( <i>Fife, North-East</i> )	Wrigglesworth, Mr. Ian ( <i>Stockton, South</i> )
Hirst, Mr. Michael ( <i>Strathkelvin and Bearsden</i> )	Yeo, Mr. Tim ( <i>Suffolk, South</i> )
Hunter, Mr. Andrew ( <i>Basingstoke</i> )	

Mr. R. J. Willoughby, *Committee Clerk*

33

† 'Treasury Team' of 10.



The Committee consisted of the following Members :

Chairmen: Miss Janet Fookes, Mr. Ted Leadbitter

Blair, Mr. Tony ( <i>Sedgefield</i> )	Major, Mr. John ( <i>Huntingdon</i> ) †
Bright, Mr. Graham ( <i>Luton, South</i> )	Maples, Mr. John ( <i>Lewisham, West</i> )
Campbell-Savours, Mr. D. N. ( <i>Workington</i> )	Marek, Dr. John ( <i>Wrexham</i> )
Cohen, Mr. Harry ( <i>Leyton</i> )	Maxton, Mr. John ( <i>Glasgow, Cathcart</i> )
Currie, Mrs. Edwina ( <i>Derbyshire, South</i> )	Mitchell, Mr. Austin ( <i>Great Grimsby</i> )
Davis, Mr. Terry ( <i>Birmingham, Hodge Hill</i> )	Moore, Mr. John ( <i>Financial Secretary to the</i> †
Eggar, Mr. Tim ( <i>Enfield, North</i> )	<i>Treasury</i> )
Fatchett, Mr. Derek ( <i>Leeds, Central</i> )	Pike, Mr. Peter ( <i>Burnley</i> )
Fisher, Mr. Mark ( <i>Stoke-on-Trent, Central</i> )	Powell, Mr. William ( <i>Corby</i> )
Forman, Mr. Nigel ( <i>Carshalton and Wallington</i> )	Randall, Mr. Stuart ( <i>Kingston upon Hull, West</i> )
Freeman, Mr. Roger ( <i>Kettering</i> )	Rees, Mr. Peter ( <i>Chief Secretary to the Treasury</i> ) †
Hamilton, Mr. Neil ( <i>Tatton</i> )	Sackville, Mr. Tom ( <i>Bolton, West</i> ) †
Hayhoe, Mr. Barney ( <i>Minister of State, Treasury</i> ) †	Smith, Mr. Tim ( <i>Beaconsfield</i> )
Henderson, Mr. Barry ( <i>Fife, North East</i> ) †	Stern, Mr. Michael ( <i>Bristol, North-West</i> )
Hirst, Mr. Michael ( <i>Strathkelvin and Bearsden</i> )	Stewart, Mr. Ian ( <i>Economic Secretary to the</i> †
Hunter, Mr. Andrew ( <i>Basingstoke</i> )	<i>Treasury</i> )
Jackson, Mr. Robert ( <i>Wantage</i> )	Viggers, Mr. Peter ( <i>Gosport</i> ) †
L Kirkwood, Mr. Archy ( <i>Roxburgh and Berwickshire</i> )	Ward, Mr. John ( <i>Poole</i> ) †
Lilley, Mr. Peter ( <i>St. Albans</i> ) †	Watts, Mr. John ( <i>Slough</i> )
Lloyd, Mr. Tony ( <i>Stretford</i> )	Wood, Mr. Timothy ( <i>Stevenage</i> )
McDonald, Dr. Oonagh ( <i>Thurrock</i> )	Yeo, Mr. Tim ( <i>Suffolk, South</i> )

Mr. A. A. Barrett, Committee Clerk

40

† 'Treasury team' of 10



FROM: A W KUCZYS

DATE: 11 March 1987

MR DYER

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Cropper  
Mr Corlett - IR

... The Chancellor was grateful for your note (attached). He has commented that it looks as if we may need a clause in this year's Finance Bill to put things right.

A handwritten signature in black ink, appearing to be "AWK".

A W KUCZYS

# FIRST REPORT

The Select Committee appointed to consider any instrument which is directed by Act of Parliament to be laid before and to be subject to proceedings in this House only\* being:

- (a) a statutory instrument, or draft of a statutory instrument;
- (b) a scheme, or an amendment of a scheme, or a draft thereof, requiring approval by statutory instrument; or
- (c) any other instrument (whether or not in draft), where the proceedings in pursuance of an Act of Parliament are proceedings by way of an affirmative resolution;

in pursuance of the Instruction that in considering any such instrument the Committee do not join with the Committee appointed by the Lords, has made progress in the matter referred to it and has agreed to the following report:—

1. The Committee has considered the instruments listed in Annex A to this Report, and has determined that the special attention of the House does not require to be drawn to them.
2. Written evidence was submitted to the Committee in connection with the instruments marked † in Annex A, but is not reported.
3. An index of instruments to which the Committee drew the special attention of the House during Session 1985-86 is contained in Annex B to this Report.

## CHARITABLE DEDUCTIONS (APPROVED SCHEMES) REGULATIONS, S.I. 1986 No. 2211

4. The Committee draws the special attention of the House to the above instrument on the ground that there appears to be doubt whether some of its provisions are *intra vires*. In Regulations 3(b), 4, 6, 9(1), 10 and 14, certain documents are required to be "in such form as the Board may approve or prescribe". By this means the Treasury appears to be effectively sub-delegating to the Board of Inland Revenue powers which the parent legislation does not expressly enable it to do.

5. In written evidence to the Committee the Inland Revenue accept that such sub-delegation is only legitimate "if it is permitted by the parent legislation either explicitly or implicitly". Since they cannot claim explicit authority, they argue that powers to provide for administrative machinery are to be construed as implicitly conferred. The Committee does not accept this. Only in the case of Regulation 10, which is warranted by a general power given to the Board by section 113 of the Taxes Management Act 1970, was the Committee satisfied as to the *vires* of the provisions in question.

6. The memorandum from the Inland Revenue is contained in the Appendix to this Report.

Mr. Allan

You may tell the Chancellor should be aware of the above report, an advance copy from the SI Secretory Cttee's clerk. The Cttee is only an Advisory body and cannot quash the Order, but it does provide a peg for a negative EDM. Copies of the report and being refer to IR and FP (it is a matter for the Lawcom).

R. Dyer 11/2

It looks as if you may need a clause in the your's FB

12/2

\*The Order of Reference of the Committee is set out in Standing Order No. 124.

The cost of printing and publishing this Report is estimated by Her Majesty's Stationery Office at £000.



FROM: N WILLIAMS  
DATE: 12 March 1987

MR THOMPSON IR

cc PS/Chancellor ✓  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Scholar  
Mr Cropper  
Mr Haigh  
Mr Graham OPC  
Mr Houghton IR  
PS/IR

**FINANCE BILL STARTER 177**

**IHT: INTEREST IN POSSESSION TRUSTS**

1. The Financial Secretary was grateful for your note of 9 March.

2. This is to confirm that the Financial Secretary was content for the necessary consequential adjustments to the administration and collection provisions to be made, to the effect that;

- (i) the existing administration and collection provisions relating to PETs should apply to PETs into IIP Trusts (paragraph 3 of your note);
- (ii) the settlor of a non-resident trust should be made liable for the tax on a PET out of an IIP trust made during his lifetime, but only for trusts set up on or after Budget Day (paragraphs 4 and 5 of your note);

**BUDGET: CONFIDENTIAL**

(iii) the responsibility for making a return in respect of a PET out of an IIP trust should be extended to persons (other than the trustees) who may be liable for the tax (paragraph 6 of your note).

3. The Financial Secretary is content for you to instruct Parliamentary Counsel accordingly.



**NIGEL WILLIAMS**  
**(Assistant Private Secretary)**



# Inland Revenue

BUDGET CONFIDENTIAL

Policy Division  
Somerset House

FROM: H B THOMPSON  
DATE: 9 MARCH 1987

- Mr 9/3*
1. MR HOUGHTON
  2. FINANCIAL SECRETARY

## FINANCE BILL STARTER 177

### IHT: INTEREST IN POSSESSION TRUSTS

1. Ministers have decided - Mr Williams's minute of 13 February - to extend the relief introduced last year for absolute lifetime giving between individuals to transfers involving interest in possession (IIP) trusts. This note seeks your authority to make the necessary consequential adjustments to the administration and collection provisions.

### Background

2. At present, lifetime transfers into and out of IIP trusts are chargeable when made at half the full rates. The charge is revised to full rates (subject to taper relief) if the transferor dies within the following seven years. Under

---

cc	PS/Chancellor of the Exchequer	Chairman
	PS/Chief Secretary	Mr Isaac
	PS/Economic Secretary	Mr Painter
	PS/Minister of State	Mr Houghton
	Sir P Middleton	Mr Calder
	Mr Cassell	Mr Lawrance
	Mr Scholar	Mr Cleave
	Miss Sinclair	Mr Furey
	Mr Cropper	Mr Scott (Sol. Scotland)
	Mr Haigh	Mr Gonzalez
	Mr Graham (Parliamentary Counsel)	Mr C Brown
		Mr Johns
		Mr Kent
		Mr McKean
		Mr Battersby
		Mr H B Thompson
		Mr Lakhanpaul
		PS/IR
		Mr Beighton

BUDGET CONFIDENTIAL

the new regime lifetime transfers into IIP trusts for individuals and lifetime terminations of IIPs (otherwise than in favour of discretionary trusts) will be exempt from IHT unless the transferor or former life tenant dies within seven years. In the jargon these transfers will be potentially exempt transfers (or PETs) in the same way as absolute giving between individuals.

3. The administration and collection provisions were amended last year to take account of the relief for absolute giving. Under these provisions, the primary liability for the tax on a PET triggered by the donor's death falls on the donee, but with recourse to the donor's estate if the donee fails to pay. The persons responsible for reporting the transfer to the Revenue include the donor's personal representatives and the donee. We think the same rules should apply to PETs into IIP trusts and subject to Parliamentary Counsel's views, no specific amendments will be necessary to achieve this result.

4. Separate rules apply at present to transfers affecting property once it has gone into trust. The trustees are primarily liable for both the immediate lifetime charge and any extra tax payable on the transferor's death within seven years, but with recourse if necessary to the beneficiaries who benefit on or after the transfer.

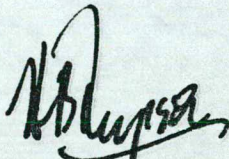
5. These provisions are modified to frustrate abuse involving non-residents who might all be outside our tax charge. The settlor can be liable for tax on a transfer of the settled property in his lifetime if the trustees are then non-resident, subject to a saving for trusts set up pre-CTT.

6. Under the new regime there will be no immediate lifetime charge on these transfers, and liability will only arise if the former life tenant dies within seven years. In these circumstances the present provision restricting the

BUDGET CONFIDENTIAL

- the responsibility for making a return in respect of a PET out of an IIP trust should be extended to persons (other than the trustees) who may be liable for the tax (paragraph 6);

9. We fear that an urgent decision is required, as the Budget resolutions will need to cover the increase in the settlor's liability. We should be glad to know whether you are content for us to proceed in this way, and if so, to have your authority to instruct Parliamentary Counsel accordingly.



H B THOMPSON



settlor's liability to the lifetime charge becomes irrelevant, and we think it is necessary to provide recourse to the settlor for the full liability triggered by the death. But the settlor would be liable only if, and to the extent that, tax has not been recovered from the trustees or beneficiaries. In line with the existing rules, however, we think the removal should only apply for trusts set up on or after Budget day.

7. At present, the responsibility for making a return for trust transfers falls solely on the trustees and the arrangement works well while there is an immediate tax charge. Under the new regime, a return will only be required if the former life tenant dies within seven years of the transfer (ie when the PET becomes chargeable) by which time the trustees may have died or gone overseas. To overcome these potential difficulties we think the responsibility should be extended to other persons who may be liable for the tax notably the beneficiaries, as happens for PETs.

#### Conclusion

8. In consequence of extending the PET treatment to transfers involving IIP trusts

- the existing administration and collection provisions relating to PETs should apply to PET into IIP trusts (paragraph 3);
- the settlor of a non-resident trust should be made liable for the tax on a PET out of an IIP trust made during his lifetime, but only for trusts set up on or after Budget day (paragraphs 4-5);

4373/27



*Part of 25*

MR HOUGHTON/IR

FROM: NIGEL WILLIAMS  
DATE: 13 February 1987

cc PS/Chancellor  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Cassell  
Mr Scholar  
Miss Sinclair  
Mr Cropper  
Mr Haigh  
Mr Graham - OPC  
Mr Thompson - IR  
PS/IR

**INHERITANCE TAX: INTEREST IN POSSESSION TRUSTS**

This is to confirm, following the recent exchange of minutes between the Financial Secretary and the Chancellor, that the Financial Secretary is content for you to instruct Parliamentary Counsel to draft the appropriate legislation to move the line between absolute property and trust property so as to bring interest in possession property on to the same basis as absolute property, (with the anti-avoidance provisions as you proposed).

A handwritten signature in cursive script, appearing to read "Nigel Williams".

**NIGEL WILLIAMS**  
(Assistant Private Secretary)

RS



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon John MacGregor OBE MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

13 MAR 1987

*Dear Sir,*

**FEES AND CHARGES : LEGAL QUERY**

Thank you for your letter of 3 March.  
I am very grateful that you have been able to find space in the Finance Bill and to help remove the legal doubts raised by the Joint Committee on Statutory Instruments.

I am copying this letter to Quintin Hailsham, Paul Channon, Michael Jopling and Sir Patrick Mayhew.

*John Moore*  
JOHN MOORE

CHIEF SECRETARY	
REC.	13 MAR 1987
<i>Mr K. Bradley</i>	
<i>Cx Sir Peter Middleton</i>	
<i>Mr Butler Mr A. Wilson</i>	
<i>Mr Anson Mr Burgess</i>	
<i>Mr Gilmore Mr Turnbull</i>	

*Mr Revolta Miss Sinclair Mr Bonney Mr Waller*

RESTRICTED



cc PS/Chancellor

Mr. Scholar

Mr. Culpin

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 4520

Peter Graham Esq CB  
Parliamentary Counsel Office  
36, Whitehall  
LONDON  
SW1A 2AY

13<sup>th</sup> March 1987

*Dear Peter,*

**1987 FINANCE BILL : BACKERS**

Following is the list of 'backers' supporting this year's Finance Bill (all the Ministerial Heads of Department have indicated their consent):

Ordered to be brought in by  
The Chairman of Ways and Means,  
Mr Chancellor of the Exchequer,  
Mr Secretary Walker,  
Mr Secretary Fowler,  
Mr Secretary Ridley,  
Mr Kenneth Clarke,  
Mr John MacGregor,  
Mr Secretary Channon,  
Mr Secretary Moore,  
Mr Norman Lamont,  
Mr Ian Stewart and  
Mr Peter Brooke

I should be grateful if you would feed the names into the machine at the appropriate time. In the event of any relevant Government changes in the next day or two (doubtful), I shall be in touch again.

*Yours sincerely,*  
*Brian Dyer*

B O DYER  
Parliamentary Clerk

RESTRICTED



FROM: B O DYER  
DATE: 19 March 1987

01-270-4520

CHIEF SECRETARY

cc Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Cassell  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Walters  
Mr P Graham - Parly Counsel  
PS/Inland Revenue  
PS/C&E  
Mrs J Tassell - HMSO

## PUBLICATION OF THE FINANCE BILL

On Monday, 23 March, following the conclusion of the Budget debates and approval of the associated Resolutions (circa 10.30pm), the Finance Bill will be brought in by the Financial Secretary, receive its formal First Reading and ordered to be printed.

2. I am advised that Parliamentary Counsel intend to hand the final draft of the Bill to the House Authorities on Friday, 3 April. On that timetable I understand the Printers will be able to publish on Wednesday 8 April, in accordance with your preference.

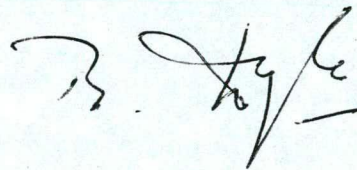
3. It is customary to announce the date of the Bill's publication by way of an inspired PQ, as soon as practicable after First Reading. Following is a draft Question and Answer for this purpose:

- Q. "To ask Mr Chancellor of the Exchequer, when the Finance Bill will be published."
- A. "The Finance Bill will be published on Wednesday 8 April."

4. To bring the publication date to the attention of a wider audience and to make clear the position on the availability of copies to the public, it is proposed that a press notice be issued at the same time as the arranged PQ is answered. A draft is attached. It is brief, to the point, and conforms to the usual pattern.

5. Subject to your endorsement, I will arrange for the tabling of the question and, in concert with the Information Division, for the issue of the associated press notice. I suggest we aim to answer the question by the end of the Month - ie table the question on Monday 30 and answer on Tuesday 31 March. This will enable us to judge how the Printers are coping with their "new technology" before a public commitment is made.

6. The foregoing has been cleared with FP and IDT.



**B O DYER**  
Parliamentary Clerk

**DRAFT PRESS NOTICE****FINANCE BILL PUBLICATION DATE**

In response to a written Parliamentary Question, the Rt Hon John MacGregor OBE MP, the Chief Secretary to the Treasury, today announced that the Finance Bill will be published on Wednesday, 8 April.

PRESS OFFICE  
HM TREASURY  
PARLIAMENTARY STREET  
LONDON  
SW1P 3AG  
01-270 5238

**NOTE TO EDITORS**

Copies of the Finance Bill will be on sale to members of the public on 8 April at HMSO book shop 49 High Holborn, London WC1V 6MB. Copies will be available elsewhere in the country on Thursday 9 April.

# UK bank to fight Budget changes

By David Lascelles, Banking Editor

UK BANKERS are preparing to fight the Budget decision to tighten up the tax treatment of certain types of foreign lending.

They claim that the plans unveiled by Mr Nigel Lawson, the Chancellor, on Tuesday will limit their ability to refinance Third World debts, and could harm London's position as an international financial centre.

The Committee of London and Scottish Clearing Bankers said yesterday that bankers were "dismayed and disappointed" by the decision. The matter had been discussed at yesterday's regular meeting of the chief executives of the UK's major clearing banks and a response was being considered.

The bankers let their feelings be known as the Inland Revenue privately began to circulate a draft of proposed legislation to implement the tax changes. According to one banker who had seen it, the terms were "very severe."

## Advantage

Mr Lawson wants to limit the amount of tax credit that banks can claim for tax withheld by foreign governments on loan interest payments. At the moment, UK banks can apply the credit against all their profits; under the Budget proposals they would be allowed to apply it only to profit on the loan which gave rise to it.

Much overseas lending by UK banks has been structured to take advantage of the present arrangements, meaning that the elimination of the full tax credit could turn several billion pounds worth of profitable loans into loss-makers, though the shock will be cushioned by a 12-month transition period.

Mr Lawson said his move was intended to end "the excessively generous" tax treatment of overseas lending, and bring the UK into line with practice in other leading financial centres. The clearing bankers committee has been invited to discuss the new legislation with the Inland Revenue, and said yesterday: "We shall be taking up that offer."

Although details of how the tax will be calculated have yet to be worked out, bankers say that it is already evident from the draft document that the changes will have a far-reaching impact on their international lending activities.

## Burden

An official at NatWest, the largest of the clearing banks, said: "Some loan proposals may cease to be attractive to us." If implemented, the new tax regime would put UK banks at a disadvantage to their foreign competitors, and would impose a heavy administrative burden, he said.

The tax changes would cost leading UK clearing banks several million pounds each, and to a lesser degree would also affect merchant banks with overseas lending not as large as the clearers. Morgan Grenfell, a leading merchant bank, put the cost to itself at about £2m.

Bankers say the loss of tax benefit will either oblige them to halt certain types of foreign lending or to push up the cost of their foreign loans by one percentage point or more.

Thus, they say, the change will hamper their ability to support Third World financing and could hit London's financial market place.

status in the international One banker commented: "This is totally inspired by the Inland Revenue without regard for the wider implications."

Time runs out, Page 36

# Tax cut to aid 18m says Thatcher

By Tom Lynch

THE CUT in the basic rate of income tax proposed in this week's Budget will help 18m people who earn less than average male earnings, Mrs Margaret Thatcher, the Prime Minister, told the Commons yesterday.

She described the Budget as "extremely good, extremely well balanced and highly responsible," and attacked Labour's plans to claw back the tax cuts. "The Labour Party cannot trust its own constituents, its own people to spend their own earnings in their own way."

Mr Kenneth Carlisle (C, Lincoln) said Labour's spending plans would involve doing much more than reversing this week's cuts, which were worth about £3 a week to the average family.

Mr Conal Gregory (C, York) claimed that Labour pledges would drive the basic rate of income tax up to 59p-3p higher than estimated on Wednesday by the Conservative front bench—or push value-added tax up to 49 per cent.

The Prime Minister told him: "The programme of the party opposite could land us in higher borrowing, higher taxation and bankruptcy in very short order."

She said government policies had been to target extra spending on priority areas such as health and education, while keeping government borrowing at the "reasonable" level of 1 per cent of gross domestic product. "They are policies to keep inflation down and policies that are producing more jobs and a substantial fall in unemployment."

During business questions, Mr Neil Kinnock, the Labour leader, referred to the announcement late on Wednesday that the Government was to sell its remaining holding in BP.

"There must be every chance that between now and the end of the Budget debate on Monday other measures will be slipped in to fatten the electoral bank roll," he said, calling for early publication of the Finance Bill, which implements the Budget.

Mr John Biffen, the leader of the House, told him the sale had been foreshadowed and was "hardly a recent addition to government policy." He promised that the Government would "do all in our power" to speed the publication of the Finance Bill.



"It's either post-Budget euphoria or a surfeit of unleaded petrol"

# Threat to tax cut

The Chancellor's 2p cut in income tax might be halted by Labour if the Finance Bill, putting the Budget into effect, had not passed through Parliament before the general election, Colin Brown writes.

Labour is already committed to voting against the income tax cut. But if Margaret Thatcher called the election in June, when the Bill might not have passed through Parliament, Labour would have to be consulted to let it pass. Neil Kinnock, the Labour leader, said last night that the Opposition would not let the tax cut pass intact, particularly in view of the sale of BP shares.

# Acting up

In his wind-up speech on the third day of the Budget debate yesterday the Treasury's walking *Wisden*, Minister of State Peter Brooke, announced a number of initiatives to help small firms and the self-employed with tax matters. Among them, to show the Revenue's human face, is a video called "Linda Shepherd investigates" about the Revenue's accounts investigation work. Unfortunately, it turns out that "Linda Shepherd" is not a tax inspector at all but an actress. What price humanity? £50 plus VAT.



RESTRICTED



FROM: JILL RUTTER  
DATE: 20 March 1987

RP.

MR DYER

CC:

- Chancellor/2
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr Cassell
- Mr Scholar
- Mr Culpin
- Miss Sinclair
- Mr Walters
- Mr P Graham - Parly Counsel

PS/IR  
PS/C & E

Mrs J Tassell - HMSO

**PUBLICATION OF THE FINANCE BILL**

The Chief Secretary has seen your minute of 19 March.

2 The Chief Secretary has commented that you must make every effort to publish on 8 April. It is important that that date does not slip.

A handwritten signature in cursive script, appearing to read "Jill Rutter".

JILL RUTTER  
Private Secretary

CONFIDENTIAL



FROM: B O DYER  
DATE: 20 March 1987

01-270 4520

PS/CHIEF SECRETARY

cc PPS

PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Walters  
Mr P Graham - PCO  
PS/IR  
PS/C&E

Reasons

**FINANCE BILL : COMMITTAL MOTION**

The minutes of the Chancellor's morning meeting today record that "Second Reading of the Finance Bill is now expected on 22 April, the first day back" - ie following the Easter recess.

2. This means that the **Committal Motion** - specifying the split of the Bill between CWH (Floor) and Standing Committee - **must be tabled** before the House rises on **Friday 10 April**. It cannot be tabled during the recess when the House is not sitting.

3. The Committal Motion is taken immediately after Second Reading. Without such a motion the whole Bill is automatically referred to a Standing Committee (S.O. 61).

4. It follows that the **Chief Secretary's meeting with the Opposition** to discuss the split of the Bill (and also that to canvass the views of senior Government backbenchers) will need to be **successfully concluded on Thursday 9 April** - ie the day following publication of the Bill.

B O DYER

Copy No 5 of 7 Copies

FROM: A C S ALLAN  
DATE: 20 March 1987

MR SCHOLAR

cc: Sir P Middleton  
Miss Sinclair  
Miss Evans**FINANCE BILL: ACCELERATED TIMETABLE**

At a press conference yesterday, Mr Kinnock indicated that Labour would not cooperate on getting the 2p income tax cut through if a General Election was called before the Finance Bill had been passed. There is a small piece in today's Independent (attached). I discussed this briefly with Murdo MacLean last night (who thought it would be impossible for the Government to steamroller the cut through against Labour opposition) and with Nigel Wicks (who thought the Government would certainly not want to back off without a fight).

2. The Chancellor would be grateful if you could prepare a paper on this, covering both the Parliamentary angle and the implications for the Revenue if the Finance Bill had to be enacted without the 2p cut. The Chancellor will then want to hold a small meeting. You will need to consult the Revenue, but the work should be carried out in a very tight circle, and the paper given a restricted circulation.

3. Since so much will turn on the Parliamentary procedures, the Chancellor feels it would be sensible for you to have a word with the Minister of State first.

4. The Chancellor noted that all this highlights the importance of starting Committee Stage early.

A handwritten signature in black ink that reads 'ACSA'.

A C S ALLAN

# UK bank to fight Budget changes

By David Lascelles, Banking Editor

UK BANKERS are preparing to fight the Budget decision to tighten up the tax treatment of certain types of foreign lending.

They claim that the plans unveiled by Mr Nigel Lawson, the Chancellor, on Tuesday will limit their ability to refinance Third World debts, and could harm London's position as an international financial centre.

The Committee of London and Scottish Clearing Bankers said yesterday that bankers were "dismayed and disappointed" by the decision. The matter had been discussed at yesterday's regular meeting of the chief executives of the UK's major clearing banks and a response was being considered.

The bankers let their feelings be known as the Inland Revenue privately began to circulate a draft of proposed legislation to implement the tax changes. According to one banker who had seen it, the terms were "very severe."

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Mr Lawson wants to limit the amount of tax credit that banks can claim for tax withheld by foreign governments on loan interest payments. At the moment, UK banks can apply the credit against all their profits; under the Budget proposals they would be allowed to apply it only to profit on the loan which gave rise to it.

Much overseas lending by UK banks has been structured to take advantage of the present arrangements, meaning that the elimination of the full tax credit could turn several billion pounds worth of profitable loans into loss-makers, though the shock will be cushioned by a 12-month transition period.

Mr Lawson said his move was intended to end "the excessively generous" tax treatment of overseas lending, and bring the UK into line with practice in other leading financial centres. The clearing bankers committee has been invited to discuss the new legislation with the Inland Revenue, and said yesterday: "We shall be taking up that offer."

Although details of how the tax will be calculated have yet to be worked out, bankers say that it is already evident from the draft document that the changes will have a far-reaching impact on their international lending activities.

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An official at NatWest, the largest of the clearing banks, said: "Some loan proposals may cease to be attractive to us." If implemented, the new tax regime would put UK banks at a disadvantage to their foreign competitors, and would impose a heavy administrative burden, he said.

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Thus, they say, the change will hamper their ability to support Third World financing and could hit London's financial market place.

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Time runs out, Page 36

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By Tom Lynch

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The Prime Minister told him: "The programme of the party opposite could land us in higher borrowing, higher taxation and bankruptcy in very short order."

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During business questions, Mr Neil Kinnock, the Labour leader, referred to the announcement late on Wednesday that the Government was to sell its remaining holding in BP.

"There must be every chance that between now and the end of the Budget debate on Monday other measures will be slipped in to fatten the electoral bank roll," he said, calling for early publication of the Finance Bill, which implements the Budget.

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"It's either post-Budget euphoria or a surfeit of unleaded petrol"

# Threat to tax cut

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Labour is already committed to voting against the income tax cut. But if Margaret Thatcher called the election in June, when the Bill might not have passed through Parliament, Labour would have to be consulted to let it pass. Neil Kinnock, the Labour leader, said last night that the Opposition would not let the tax cut pass intact, particularly in view of the sale of BP shares.

# Acting up

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CONFIDENTIAL

REF: RCA/BQ/17

FROM: K E BRADLEY

DATE: 24 March 1987

CHIEF SECRETARY

cc **Chancellor**  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Jenkins (T.Sol)

**FEES AND CHARGES: LEGAL QUERY**

You wrote to the Secretary of State for Transport on 3 March 1987 agreeing to his proposal that this year's Finance Bill should include provisions to deal with defective fees and charges legislation. It was agreed that DTp should take the lead on drafting instructions. Your letter was acknowledged by the Secretary of State on 13 March.

2. We have been informed by Parliamentary Counsel that the procedure resolution, required to cover Government fees and charges, was not proceeded with. For this reason, and the volume of work on the main part of the Bill, there is now no prospect of dealing with the fees and charges issue before Committee Stage.

Background

3. In 1985 the Joint Committee on Statutory Instruments queried whether the DTp was entitled to recover certain enforcement costs associated with one of its repayment services. As there were implications for fee-earning services generally, we consulted other Departments which operate chargeable services. In addition to DTp, 2 Departments (DTI and MAFF) identified services where fee income is at risk. Some £30m in total is involved. (Since your letter to the Secretary of State, LCD has informed us that its fee-charging legislation is not defective and that the £130m thought to be at risk is in fact secure).

4. Requiring Departments to amend their powers by departmental legislation was considered, but DTp thought this unsatisfactory and favoured general legislation. With only 3 or 4 clauses required, we agreed that the Finance Bill provided a suitable and early opportunity to correct the problem.

Present Position

5. Although all parties, including Legal Advisers and Parliamentary Counsel, were consulted beforehand about the proposal to use the Finance Bill, a misunderstanding subsequently arose. This involved Parliamentary Counsel who was of the opinion that the fees and charges issue was not being proceeded with. As a result the necessary procedure resolution was not prepared.

6. DTp's Legal Adviser appears to have had no contact with Parliamentary Counsel before sending him first instructions on 18 March. It was then that the misunderstanding came to light. It is simply not now possible for Parliamentary Counsel to drop everything <sup>and</sup> deal with this subject before Committee Stage. Miss Sinclair's note of 10 March on Finance Bill loose ends explained the difficulties of getting all the measures announced in the Budget included in the Finance Bill as published. The effective deadline for publication is 3 April, when the material needs to be given to the House authorities.

7. In these circumstances, if the clauses are to be included in the 1987 Bill, they will have to be introduced at Committee Stage. We recognise that this will be unwelcome to Treasury Ministers on grounds of general Bill management, and it may also be unwelcome to the other Ministers involved. With the withdrawal of LCD, DTp fee income is now the main area at risk (£20m).

Recommendation

8. It is recommended that you write to the Secretary of State for Transport saying that instructions reached Parliamentary Counsel too late for the legislation to be included in the Finance Bill as published and asking him how he wants to proceed.

CONFIDENTIAL

9. A draft letter is attached.



K E BRADLEY

CONFIDENTIAL

DRAFT LETTER TO:

Secretary of State for Transport

**FEES AND CHARGES: LEGAL QUERY**

In my letter of 3 March I agreed that this year's Finance Bill should include provisions to resolve the legal doubts raised by the Joint Committee on Statutory Instruments. My agreement was subject to that of colleagues in other Department who faced problems similar to yours. You undertook to lead on drafting instructions.

We have been informed that first instructions did not in the event reach Parliamentary Counsel until 18 March. The result is that he cannot cope, on top of all his other work, with drafting provisions on fees and charges for inclusion in the Finance Bill as published. The necessary clauses will now have to be introduced at Committee Stage.

This is not particularly welcome to us, nor, I imagine, to you, but it is the only option if the measure is to be included in this year's Bill. I should be pleased to know if you and other colleagues concerned wish to go ahead on this basis.

Since our earlier exchange the Lord Chancellor's Department has informed us that it does not have any defective legislation as at first thought. I am therefore copying this letter to Paul Channon, Michael Jopling and Sir Patrick Mayhew, and not to Quintin Hailsham.



*Raw*

FROM: MISS C E C SINCLAIR  
 DATE: 25 March 1987

CHIEF SECRETARY

cc **Chancellor**  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Sir P Middleton  
 Mr Butler  
 Mr Wilson  
 Mr Anson  
 Mr Gilmore  
 Mr Burgner  
 Mr Scholar  
 Mr Turnbull  
 Mr Mason  
 Mr Revolta  
 Mr Bradley  
 Mr Bonney  
 Mr Waller  
 Mr Jenkins (T.Sol)

P Graham  
 Parliamentary Counsel

*✓  
 (a poor job)*

**FEES AND CHARGES: LEGAL QUERY**

*-below*

Perhaps FP could add a gloss to Mr Bradley's submission of 24 March to you.

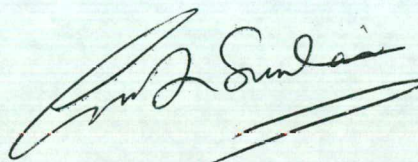
2. The real problem here has been lack of communication between Department of Transport legal advisers and Parliamentary Counsel. Your letter of 3 March to the Secretary of State for Transport proposed that the latter should take the lead in drafting instructions to Counsel. This normally ensures contact of a kind which would leave Counsel in no doubt that a particular Budget starter was a firm candidate for inclusion in the Finance Bill.

3. If I may say so, I think that there are arguments for and against your taking the initiative in writing to Mr Moore (his officials are, of course, aware of the position). On the one hand, a letter on the lines attached to Mr Bradley's submission should pre-empt one from Mr Moore, copied to other Ministerial colleagues, suggesting that either the Treasury or Parliamentary Counsel are responsible for the delay in the appearance of these clauses.

CONFIDENTIAL

On the other, Mr Moore might think that it took the Treasury quite a long time to reply to his letter of 28 January (of which we had had notice). In part this was because of the need to establish with the House Authorities that the necessary provisions were within the proper scope of the Finance Bill.

4. Would it be an option for you to have a word with Mr Moore instead of writing? He is of course very familiar with the problems of Finance Bill drafting.

A handwritten signature in cursive script, appearing to read 'Carolyn Sinclair', written in dark ink. The signature is fluid and somewhat stylized, with a long horizontal stroke at the end.

CAROLYN SINCLAIR



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

*RP*

The Rt Hon John MacGregor OBE MP  
Chief Secretary to the Treasury  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

CHIEF SECRETARY	
REC.	26 MAR 1987
ACTION	Mr Revolta
DIS	CX S. Peter Middleton
	Mr Butler Mr Moon
	Mr Bugner Mr Gilmore
	Mr Turnbull Mr Giers

25 MAR 1987

*Don J.*

*Mr Cropper Mr Tyrrie.*

**FEES AND CHARGES AND VIRES: FINANCIAL BILL**

I was concerned to learn that it is now proposed to exclude the provisions for removing the legal doubts raised by the Joint Committee and the Law Officers from the first print of the Finance Bill and (though apparently this is not certain) to deal with the provisions at Committee Stage.

I do understand all the pressures that you and the draftsmen face. But I have to say that this timing will be bound to put the vires problem under closer scrutiny and to generate debate. If therefore it were still possible to include the necessary provisions in the first print of the Bill, I would urge you to do so. However, I understand there are procedural difficulties about this.

You may be considering whether the potential difficulty of Committee Stage introduction is an argument for dropping the provision altogether from the Finance Bill. In which case, I should perhaps remind you of the very strong arguments, set out in my letter of 28 January, for getting the vires doubts resolved quickly. There is the general risk that a challenge will reflect badly on administrative practices. And you will also recall that there is substantial revenue at stake. These are important arguments to have in mind before decisions are taken.

I am copying this letter to Quintin Halsham, Paul Channon, Michael Jopling and to Sir Patrick Mayhew.

*John Moore*  
JOHN MOORE

CONFIDENTIAL



CC. CHANCELLOR  
 FINANCIAL SEC  
 ECONOMIC SEC  
 MINISTER OF STATE  
 SIR P. MIDDLETON  
 MR. F.E.R. BUTLER  
 MR ANSON  
 MR WILSON  
 MR BURGNER  
 MR GILMORE  
 MR SCHOLAR  
 MR TURNBULL  
 MR BONNEY  
 MR BRADLEY  
 MR MADON  
 MR REVOLTA  
 MISS SINCLAIR  
 MR WALLER  
 MR JENKINS (T. SOU)  
 31<sup>st</sup> March 1987  
 MR P. GRAHAM  
 (PARLY COUNSEL)

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP  
 Secretary of State for Transport  
 Department of Transport  
 2 Marsham Street  
 London  
 SW1P 3EB

*Dear John,*

**FEES AND CHARGES AND VIRES: FINANCE BILL**

Thank you for your letter of 25 March.

I understand that the instructions reached Parliamentary draftsmen too late for them to include the necessary provisions in the first print of the Bill. I do not see any prospect of changing this.

I can assure you that we do not intend to drop the measure and I am content for the clauses to be introduced at Committee Stage.

I am copying this letter to Paul Channon, Michael Jopling and to Sir Patrick Mayhew. I am also copying to Quintin Hailsham, although I understand that the Lord Chancellor's Department have informed us that they do not have any defective legislation and need therefore no longer be involved.

*Lee,*

*John*

JOHN MacGREGOR

RA

**CONFIDENTIAL**

REFERENCE: RCA/BQ/17

FROM: K E BRADLEY  
DATE: 31 MARCH 1987

**CHIEF SECRETARY**

cc: Chancellor ✓  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Judd  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Walters

**FEES AND CHARGES AND VIRES: FINANCE BILL**

You wrote to the Secretary of State for Transport on 31 March 1987 confirming that the necessary provisions to deal with defective fees and charges legislation will be introduced at the Committee Stage of the Finance Bill.

2. FP Division has called for Lobby Notes by 6 April. These are required for clauses both in the published Bill and to be introduced at Committee Stage. This minute seeks your agreement to a note on the fees and charges issue.

## Background

3. In accordance with Treasury policy, fees and charges are normally set to recover the value of the resources used to provide a service (opportunity cost). In most cases opportunity cost can be measured by full cost, ie the total cost in accountancy terms. In practice the cost elements included in full cost will depend upon the nature of the service and the policy decisions taken in relation to it.

4. The present legal query arose in connection with the Motor Cars (Driving Instruction) (Amendment) Regulations made by the Secretary of State for Transport in 1984. The Joint Committee on Statutory Instruments queried whether the fee was a fair reflection of the administrative costs involved in processing the relevant applications. The Committee held that there was no power to recover the costs of enforcing the system of driving instructor registration through fees.

5. In addition to DTp, DTI and MAFF have identified services which are open to similar challenge.

6. The provisions to be included in the Finance Bill will extend the fee-setting powers of Ministers to allow fees and charges to be set at a level sufficient to recover, in addition to the immediate costs of providing a service, enforcement and other related costs. The extension of powers will be taken by order subject to affirmative resolution. Only in cases where the existing primary legislation is defective will the new powers be invoked.

## Recommendation

7. Your agreement is invited to the following Lobby Note:

"Legislation will be introduced at Committee Stage to enable departments where necessary to set fees and charges at a level calculated to recover, in addition to the cost of providing particular services, certain related costs incurred in support of those services".

  
K E BRADLEY

CA Division

REF: RCA/BQ/17

FROM: K E BRADLEY

DATE: 14 April 1987

CHIEF SECRETARY

cc Chancellor  
 Financial Secretary  
 Economic Secretary  
 Minister of State  
 Sir P Middleton  
 Mr Butler  
 Mr Wilson  
 Mr Anson  
 Mr Judd  
 Mr Gilmore  
 Mr Burgner  
 Mr Scholar  
 Mr Turnbull  
 Mr Mason  
 Mr Revolta  
 Miss Sinclair  
 Mr Bonney  
 Mr Waller  
 Mr Jenkins - T.Sol  
 Mr Graham - Parl. Counsel

*Handwritten notes in red ink:*  
 Look at this - v. SS  
 Mr Butler  
 Mr Wilson  
 Mr Anson  
 Mr Judd  
 Mr Gilmore  
 Mr Burgner  
 Mr Scholar  
 Mr Turnbull  
 Mr Mason  
 Mr Revolta  
 Miss Sinclair  
 Mr Bonney  
 Mr Waller  
 Mr Jenkins - T.Sol  
 Mr Graham - Parl. Counsel

**FEES AND CHARGES VIRES: FINANCE BILL**

You propose to announce in your Second Reading speech the Government's intention to introduce clauses at Committee Stage of the Finance Bill to deal with defective fees and charges legislation. This minute is to alert you to what may prove to be a contentious issue.

2. DTp is in the lead on drafting instructions to Counsel and is taking account of the interests of DT1 and MAFF, the other departments with defective legislation. The objective of DTp is to achieve a provision extending fee-setting powers so that fees and charges can be set at a level calculated to recover the costs of providing the service plus enforcement costs (the recovery of enforcement costs being at the root of the present legal query).

3. DT1 on the other hand does not wish to be limited to charging only "costs of the service" but wish to raise money to cover the cost of functions which relate generally to the subject in question, ie, to go wider than the direct costs of statutory functions. In the view of the DTp Instructing Solicitor, this power would have to be expressed as an alternative to the power being sought by DTp.

4. The Expenditure Divisions responsible for DTp and MAFF (HE1 and IAE1) are content with the instructions to Counsel. IAE2 are however concerned that DT1 may be overstepping the fees and charges mark and seeking to introduce a new taxing power. They are currently pursuing this with DT1.
5. We are awaiting draft clauses from Counsel.

*K E Bradley*

K E BRADLEY



Pup



FROM: CATHY RYDING  
DATE: 22 April 1987

PS/CHIEF SECRETARY

cc Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Judd  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Bradley  
Mr Jenkins - T.Sol  
Mr Graham - Parl. Counsel

**FEES AND CHARGES VIRES: FINANCE BILL**

The Chancellor has seen Mr Bradley's minute to the Chief Secretary of 14 April.

2. The Chancellor has commented that he does not like the look of this - it is very doubtful if DTI should be permitted to do this.

A handwritten signature in black ink, appearing to be 'CR'.

CATHY RYDING

*Ray*

**CONFIDENTIAL**

REFERENCE: RCA/BQ/17

FROM: K E BRADLEY  
DATE: 1 MAY 1987

**CHIEF SECRETARY**

cc:Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Judd  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Jenkins (T.Sol)  
Mr Graham (Parl.Counsel)

**FEES AND CHARGES VIRES: FINANCE BILL**

My minute of 14 April 1987 drew your attention to a contentious issue associated with the proposed fees and charges clause for the Finance Bill. This concerned DTI's wish to include costs which went beyond the direct costs of statutory functions. This minute summarises the position now reached and puts forward a draft PQ which you have requested.

2. DTI appears persuaded to restrict the costs which it is seeking to recover to those more closely associated with the provision of a service. IAE2 are in discussion with DTI with a view to

reaching formal agreement. As a result, it is now most unlikely that a separate provision to meet the DTI's original proposal will be required.

3. Parliamentary Counsel has prepared a draft clause (latest version circulated on 29 April) which is currently under consideration. DTp is coordinating the views of DTI, MAFF and Treasury Solicitor. At a meeting on 27 April Counsel expressed the view that the clause had implications for all departments levying fees and charges and that there would have to be consultations beyond the 3 departments which had identified defective legislation.

4. This further consultation will delay agreement being reached on the suitability of the draft clause, though it remains the intention to introduce a general provision to deal with the legal query.

5. You have asked for a PQ to make an early announcement of the Government's intention to introduce an amendment at standing committee stage of the Finance Bill. I attach a draft for your approval.



**K E BRADLEY**

**CA Division**

DRAFT PQ

"To ask the Chancellor of the Exchequer whether he is satisfied with the arrangements currently in force for levying fees and charges".

Mr John MacGregor: It is the Government's intention to introduce an amendment at standing committee stage of the Finance Bill concerning the vires under which departments levy fees and charges for the services and facilities they provide".

CONFIDENTIAL



FROM: JILL RUTTER

DATE: 5 May 1987

MR BRADLEY

cc: -  
Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Mr F E R Butler  
Mr A Wilson  
Mr Anson  
Mr Judd  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Dyer  
Mr Waller  
Mr Jenkins (T. Sols)  
Mr Graham (Parl. Counsel)

**FEES AND CHARGES VIRES: FINANCE BILL**

The Chief Secretary was grateful for your minute of 1 May. The Chief Secretary attaches great importance to this being sorted out with the utmost urgency with a view to being in a position to put down the Parliamentary Question at the end of this week. Could Mr Dyer please note.

JILL RUTTER

Private Secretary

CONFIDENTIAL

NP  
Pages  
P 20

REFERENCE: RCA/BQ/17

FROM: K E BRADLEY  
DATE: 6 MAY 1987

CHIEF SECRETARY

✓

cc:Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir P Middleton  
Mr Butler  
Mr Wilson  
Mr Anson  
Mr Judd  
Mr Gilmore  
Mr Burgner  
Mr Scholar  
Mr Turnbull  
Mr Mason  
Mr Revolta  
Miss Sinclair  
Mr Bonney  
Mr Waller  
Mr Dyer  
Mr Jenkins (T.Sol)  
Mr Graham (Par.Counsel)

**FEES AND CHARGES VIRES: FINANCE BILL**

My minute of 1 May reported the position reached on the fees and charges clause for the Finance Bill and put forward a draft PQ. To enable an announcement by Written Answer to be made by the end of this week, the PQ will have to be tabled on 7 May. This minute summarises the latest position.

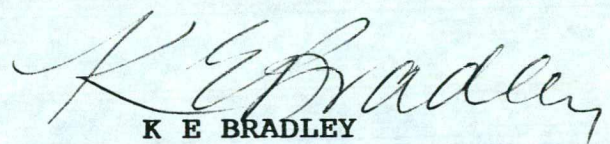
2. DTp, which is in the lead on instructing Parliamentary Counsel and coordinating departmental views, does not yet have an internally agreed draft clause. Once this is available (it is hoped by the end of this week), the draft will have to be cleared with DTI

and MAFF, the other departments which have identified defective legislation, and with the Treasury. We are therefore still some weeks away from having a clause agreed by those most immediately involved. Thereafter, in accordance with advice from Parliamentary Counsel, the draft will be circulated to other departments levying fees and charges to inform them of what is proposed. This stage is required as the clause is also likely to impact on their chargeable services.

3. Discussions with DTI are continuing, but IAE2 now believe that DTI will line up behind DTp and that a separate provision to meet DTI's original proposal will not be required. This disposes of the contentious DTI issue, though DTI will be discussing precise wording with DTp with a view to accommodating its needs as far as possible.

4. The intention now is to have a single clause which meets the needs of all departments. On the down side, we are still some weeks away from having an agreed clause and are not in a position to meet a quick Finance Bill. The aim would be to meet a less stringent timetable.

5. You will wish to take account of the work still to be done in deciding whether to make an announcement this week.

  
K E BRADLEY  
CA Division



RD

FROM: JILL RUTTER

DATE: 7 May 1987

MR BRADLEY

- cc:
- Chancellor
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr F E R Butler
- Mr Wilson
- Mr Anson
- Mr Judd
- Mr Gilmore
- Mr Burgner
- Mr Scholar
- Mr Turnbull
- Mr Mason
- Mr Revolta
- Miss Sinclair
- Mr Bonney
- Mr Waller
- Mr Dyer
- Mr Jenkins (T. Sols)
- Mr Graham (Parl. Counsel)

**FEES AND CHARGES VIRES: FINANCE BILL**

The Chief Secretary has seen your minute of 6 May. He would prefer to announce the position on Fees and Charges next Wednesday i.e. putting the PQ down on Tuesday. He has asked whether <sup>we</sup>~~that~~ would then have clarified the position completely, recognising that the clause would not be ready until June.

2 In the event of a second Finance Bill post election the new clause should be included on the face of that Bill.

JILL RUTTER  
Private Secretary