

PO-CH/NL/0369 PT C



**SECRET**

(Circulate under cover and  
notify REGISTRY of movement)



PO -CH /NL/0369



PART C

1988 PRE-BUDGET DAY  
PAPERS

PO -CH /NL/0369

-CH

PO

PART C

DD's 25 years NAGL 1/12/95.

S-2-88

**CLOSED**

CONTAINED ON:-

PART

**D**



1988 Pre  
budget Day,  
papers  
C



CHANCELLOR



FROM: A G TYRIE

DATE: 21 JANUARY 1988

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Forman MP  
Mr Cropper  
Mr Call

## CHANCELLOR'S BUDGET SOUNDINGS - 20TH JANUARY

Present: Chancellor  
Rt Hon Julian Amery MP  
Rt Hon Alick Buchanan-Smith MP  
Sir John Biggs-Davison MP  
Dame Peggy Fenner OBE MP  
Sir J Marcus Fox MBE MP  
Sir Philip Goodhart MP

Mr Amery said it was essential to reaffirm the commitment to keeping inflation down; a nil PSBR would lend credibility to that. He suggested cutting the basic rate to 25p or 24p and the top rate 50p or 45p, with a possible intermediate band of 35p. CGT should be reformed and reduced now; it would be more difficult to act later. In general, this was the year to risk criticism from the Left. It was also the year to raise excise duty on cigarettes and tobacco substantially.

Mr Alick Buchanan-Smith thought that a small PSBR was sustainable after the fall in the stock market which had taken overheating out of the economy. He thought a reduction in the basic rate to 25p was more than adequate. Income tax rates were now tolerable and the Government had achieved most of its tax objectives, it should now concentrate on public services. He thought that we should push through difficult tax reforms now, while we had the chance, in particular a reform and/or reduction of CGT, and a rise in the CGT threshold. It might be worth considering a relaxation of the North Sea fiscal regime. He also suggested fiscal encouragement for high technology industry. He pleaded for the Scotch whisky industry.

Sir John Biggs-Davison advocated further charities reform. He suggested, half jocularly, that a means should be found to allow people to opt out of tax reductions if they opposed them.



Dame Peggy Fenner advocated a reduction in income tax, particularly the higher rates. She advocated further action on charities, a reduction of inheritance tax, and some lollipops, for instance further assistance to war widows.

Sir Marcus Fox recommended that the basic rate should not go down below 25p, and that we should act on thresholds. He suggested that we find a means of including health in the budget.


Sir Philip Goodhart said that top rates should be reduced to at most 50%, if not below. This was the year to act on CGT.

He suggested a troika of measures: a reduction in mortgage interest relief (possibly removal of higher rate relief); a Butterfill type reform; and tax relief for health insurance, but probably for pensioners only.

These last three were thrown open to general discussion.

The Butterfill proposal, to retain MIR while rolling up loans for OAP annuities, was warmly supported by Sir Marcus Fox and Dame Peggy Fenner. There was general agreement to Mr Amery's view that we should not throw money at the NHS, but find a way of knocking health into baulk, possibly by announcing a review, before the budget. In this way the Government could get the time to put together a proper package which would include relief for health insurance. Mr Buchanan-Smith and Marcus Fox opposed the introduction of relief for health insurance, even in the context of a broader package.

Several further suggestions were made on health. Sir John Biggs-Davison suggested a national lottery for health which, he understood, had been the practice under Queen Anne. He also asked why Her Majesty did not appoint inspectors of hospitals. Mr Buchanan-Smith thought a lottery would be unwise. Sir Philip Goodhart proposed hypothecation of health expenditure, possibly to revenues from NICs.

  
A G TYRIE



FROM: MISS C EVANS

DATE: 25 January 1988

**MR HUDSON**1. *Alc*

2. C.

*This is better. ~~HA~~ The only problem is the fallback. I don't like 29th, because of the clash with the American Correspondents speech, and the lack of time to get the transcript of the Gov. The Clerk has indicated that he could consider the morning of 30th, if the House rises that day. OK on that basis?*

**TCSC : BUDGET HEARINGS**

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Sir Geoffrey Littler  
Dame Anne Mueller  
Mr Anson  
Mr Kemp  
Mr Lankester  
Mr Monck  
Mr Scholar  
Mr Culpin

Mrs Lomax  
Mr Odling Smee  
Mr Peretz  
Mr Sedgwick  
Mr Turnbull  
Mr R I G Allen  
Mr Pickford  
Mr Cropper  
Mr Tyrie  
Mr Call

*Yn. That's it.*

The Clerk has now told me that the Governor is out of the country for the whole of the week beginning 21 March so our provisional plan (officials 22 March, Governor 23 March, Chancellor 28 March) falls.

2. Given that the 28 March is the last week before Easter, there are few alternative options which allow the Chancellor to be last. The Clerk suggests:

Officials 23 March

Governor 28 March

Chancellor 30 March (with 29 March as a fallback in the unlikely event that the House rises early).

3. 29 March would be inconvenient because of the American Correspondents in London speech at lunchtime. However, I gather the Whips are planning a full day's business on 30 March so 29 March is very unlikely to be needed as an alternative.

4. Is the Chancellor content with the timetable proposed in paragraph 2 above, and may I tell the Clerk that although inconvenient, we do not rule out 29 March as a fallback?

CE

MISS C EVANS



FROM: MARK CALL  
DATE: 26 JANUARY 1988

*Amr*

ECONOMIC SECRETARY

cc Chancellor  
Chief Secretary  
Financial Secretary  
Paymaster General  
Mr Cropper  
Mr Tyrie

ECONOMIC SECRETARY'S BACKBENCH BUDGET SOUNDINGS: 21 JANUARY

Present:

Economic Secretary  
Michael Brown, MP  
Tony Marlow, MP  
Michael Clark, MP  
Chris Gill, MP  
Mark Call

Tony Marlow was strongly in favour of fully transferable allowances for taxation of married women. The basic rate of income tax should be reduced to 25p, and top rates abolished. VAT should be increased to 20%, and extended to books and newspapers. CGT should be abolished for long-term gains. In his view mortgage interest relief simply pushed up property prices, and it should thus be allowed to "wither on the vine". Although there was some talk of mortgage interest relief being allowed on a residence basis, he believed this would hit sharers very hard and would not be appropriate for London.

Chris Gill was also in favour of a shift from direct to indirect taxation. He was in favour of increased personal allowances, and abolition of all specific allowances such as mortgage interest relief. He would not be in favour of allowance against tax of health insurance premia.

Michael Clark believed the current system of mortgage interest relief was of disproportionate benefit to sharers versus married couples. Reduction in the basic rate of income tax was preferable to increased thresholds.



Michael Brown was strongly against a rise in tax on tobacco. He was in favour of increasing the differential between leaded and unleaded petrol. If it were possible to reduce the basic rate of income tax to 25p in this Budget, a new target for a lower basic rate should be set.

W.C.

MARK CALL



FINANCIAL SECRETARY

FROM: MARK CALL  
DATE: 26 JANUARY 1988

cc Chancellor  
Chief Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Tyrie

FINANCIAL SECRETARY'S BACKBENCH BUDGET SOUNDINGS: 25 JANUARY

Present:

Financial Secretary  
Lewis Stevens, MP  
David Davis, MP  
Emma Nicholson, MP  
Steven Day, MP  
Dennis Walters, MP  
Mark Call

Lewis Stevens wanted base rates reduced to 25p in the £, but was not sure that higher rates should be reduced. His preference would be for increased thresholds. The Married Man's Allowance should be abolished. An increase in the tax on tobacco was widely expected, and should cause no difficulty. On taxation of the elderly, the Age Allowance should be extended.

David Davis was in favour of using the first Budget of the Parliament to do things which were of long-term impact and not necessarily popular. He was in favour of reduced higher rates rather than increased thresholds. He advocated the return of Capital Allowances for smaller businesses, to overcome cashflow problems.

Emma Nicholson believed it was imperative to do something on the taxation of married women. Although she preferred partially transferable allowances, she recognised these were expensive and not welcomed by everyone. In her view savings and CGT should be assessed separately, and women's tax affairs should be private. In summary, the more that could be done the better. Without being



X specific she wanted income tax rates brought down. She was in favour of increasing the Age Allowance. War Widow's pensions should be brought into line with Falkland's widows, so that the pension related to the rank not the length of service. She believed reform in this area would be very popular. (MC: Could there be a lollipop in here somewhere?)

Steven Day was in favour of reducing basic rates to 25p but not lower. Reduction in higher rates was vital. Tax on tobacco should be increased. He agreed with others that the Age Allowance should be extended.

Dennis Walters believed strongly that the first Budget of the Parliament was an opportunity to do things that may be unpopular in the short-term, and it must not be squandered. He was thus very much in favour of tax cuts. He advocated a broader base of VAT, pointing out that difficulties may arise as we approach harmonisation in 1992. If it was likely that at that time we would be obliged to extend VAT to further categories, we should do it now. There was no reason why newspapers should not carry VAT now. He was in favour of extending tax relief along the lines of mortgage interest relief to health and education. Tax payable on inheritance of family business was much too high at present. He was very supportive of an extension of the Age Allowance for taxation of the elderly.

#### NHS

Dennis Walters, Emma Nicholson, and David Davis strongly believed that no more money should be made available before a longer-term plan for the NHS had been agreed. Steven Day and Lewis Stevens believed that an allocation from the Reserve would be necessary in the short-term, and that a Budget which cut taxes but gave no more to the NHS would be unpopular.

MC  
MARK CALL



## BUDGET SECRET-TASK FORCE LIST



FROM: ECONOMIC SECRETARY  
DATE: 27 January 1988

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Sir P Middleton  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Cropper  
Mr Tyrie  
Mr Call  
PS/IR

*Urgent. Can this be done for this Budget? (What about gross income?)  
Household tax on a  
certain level? I am not sure.  
While that is the case,  
I don't think for IR  
advise*

## REMOVING ALLOWANCES FROM TOP RATE RELIEF

It emerged at Chevening that disallowance of any relief against higher rate of tax is arithmetically achieved by reducing an individual's upper rate threshold by the amount of the relief.

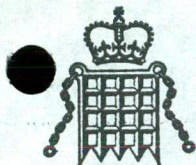
2. It occurred to me that all personal reliefs and allowances can be disallowed against upper rates by the device of setting the upper rate threshold at a fixed amount of gross income. In other words taxpayers would pay the higher rates of tax on all income above a fixed amount regardless of their personal allowances, mortgage relief etc.

3. At present higher tax rates are payable on any gross income in excess of personal allowances and reliefs plus £17,900. We could instead say that top rates will be payable on gross income in excess of, say, £25,000. This would in effect consolidate the typical Tory voter's reliefs - single persons allowance plus married man's allowance plus mortgage interest relief. It might therefore be possible to persuade the Prime Minister that this met our manifesto pledge on MIR. However, it would remove the top rate incentive to, and benefit from, obtaining reliefs like MIR.

RB

PETER LILLEY





Board Room  
H M Customs and Excise  
King's Beam House  
Mark Lane London EC3R 7HE

*pwp*

FROM: P JEFFERSON SMITH

DATE: 28 January 1988

CHANCELLOR

cc: Principal Private  
Secretary  
Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr J Anson  
Sir A Wilson  
Mr I Byatt  
Mr M C Scholar  
Mr R Culpin  
Mr P Sedgwick  
Mr Odling-Smee  
Miss C Evans  
Mr A Hudson  
Mr P Cropper  
Mr A Tyrie  
Mr M Call  
Miss C E C Sinclair  
Mr C J Riley  
Mr A Turnbull  
Mr M G Richardson  
Mr A Battishill - IR  
Mr J Isaac - IR  
Mr T Painter - IR

**VAT : EUROPEAN COURT JUDGMENTS**

1. The Treasury Solicitor's Office has made further enquiries about the likely timing of judgment by the European Court of Justice in the zero rates infractions case. While we cannot be certain, we can be reasonably sure that it will not be in time for

Internal distribution: CPS  
Mr Knox  
Mr Nissen

Mr Tracey  
Mr Allen  
Ms Barrett



the 1988 Budget. It is likely not even to be in time for adding legislation to the Finance Bill, a course to which in any case you are not attracted. But when judgment is given, we think, for the reasons in paragraph 5 below, it will be necessary to make a very early statement of your intentions for legislation in 1989. We now understand, however, that the judgment in the medical care (spectacles) case will be given on 23 February: a decision is needed on whether to act in the 1988 Budget or whether to defer, and tackle both adverse infraction judgments in 1989.

#### EUROPEAN COURT

2. Treasury Solicitor's Office have spoken to the Registrar of the European Court on the basis that we are receiving many queries from Parliament and outside interested parties and that it would clearly be beneficial if we had, at the very least, some informal indication of the likely date for delivery of judgments on the zero-rate and medical care (spectacles) cases. The outcome is very discouraging. The Court's judgments are based on the unanimous opinion of the Judges and if differences of views arise they have to be resolved "in camera" before they decide on the date for inclusion of an appeal judgment in the list for hearing and inform the Registrar - usually two or three weeks before the hearing. The Registrar (British) will inform us at the earliest moment when decisions are taken but because of the strict confidentiality maintained by the judges he is unable to give any informed indication of likely dates.

3. All that can be said is that the case load before the court has been, and is, increasing, that judgment delays are getting longer and that the delay is likely to be greater in cases which, like the zero-rate case, involve a number of issues. Four working months have now elapsed since the Advocate General's opinion was issued on the comparatively simple medical care (spectacles) case and we have just learned that judgment will be given on 23 February. If we assume a four working months minimum for zero



rates, that would take us to early April, too late for the 1988 Budget. In fact April/May seems the earliest likely date, and there is an increasing possibility that judgment could be as late as the Court's Summer recess.

**STATEMENT OF FUTURE INTENTIONS : NON DOMESTIC CONSTRUCTION**

4. There is already intense interest in the construction and property industries about the nature of our future liability regime. The British Property Federation have been making informal representations for some time, and I recently saw a deputation from the Joint Taxation Committee representing the Building Employers Confederation and other construction associations. There are numerous issues which affect the size and impact of the tax

- will the rate be 15% or reduced?
- how will the border be drawn between zero-rated new residential construction and construction which is to be taxed?
- will the option to tax rents be allowed and on what conditions?
- will sales of building land be taxed or exempt?
- will there be arrangements to protect the expenditure of public sector bodies?
- when will the new tax start and what transitional relief will be given?

5. Not all these questions can or should be answered immediately after the judgment. Some of the issues need a proper assessment in consultation with the industries concerned (for example it is not immediately clear whether the building industry would be



better or worse off if supplies of building land were taxed). The need at first will be to announce those key decisions which will allow all the industries concerned to plan with confidence and avoid feast in 1988/89 followed by famine in 1989/90. The damage from feast and famine would go beyond the construction industry to their suppliers: one materials manufacturer has voiced the fear that a beat-the-tax boom would mean that demand would have to be met in part by imports, and this would give overseas producers a toe hold from which it would be difficult to dislodge them.

6. Looking at it this way, we envisage that you would have to make a statement as soon as possible after judgment. In your statement you would say that it was your intention to tax non-domestic construction at the standard-rate of VAT but that you had also decided that the best means of mitigation was to introduce the option for rents and sales of used buildings to be taxed. (In this way the reduced yield from the changes would come mainly from exempt and partly exempt businesses in respect of their actual occupation of buildings. Non-domestic property development and exploitation would not be burdened with extra sticking tax and fully taxable manufacturing and retailing would be largely unaffected.)

7. However perhaps the crucial part of your statement would have to deal with effective date and what transitional relief would be provided. It is our understanding that you have accepted the case in principle for a relief based on existing contracts. On the assumption that the statement would be made within a few days of the ECJ judgment in the late Spring or early Summer of 1988, we think that you could say that you envisaged an effective date of [1 August 1989], (We suggest an operative date after Royal Assent because of the likely complexity of the legislation.) As regards the relief for existing contracts, the choice would lie between contracts in existence on:

- (i) the date of the statement; or
- (ii) on [31 July 1989].



7 8. So far as revenue yield considerations are concerned (i) would self-evidently be more advantageous for 1989-90 and 1990-91. Not only would (ii) defer the collection of any significant tax by up to about 15 months but it would allow ample time for a great number of projects to be brought forward to contract stage possibly deferring full yield from the changes well into the mid 1990s. As regards equity, (i) would be adequate in the sense of not imposing tax unexpectedly on anyone who was legally committed to a building contract or disposal of a property at the date of your announcement. The final point to be considered relates to the feast in 1988 famine in 1989 argument. Here (i) does not score so well as (ii) because, although those with contracts in force on the date of your announcement would have no need to speed up work on those particular contracts, there would be a scramble to get work on non-qualifying contracts well under way or completed before the 1989 date leading to some degree of famine thereafter.

9. On balance we would favour confining relief to existing contracts in force on the date of your announcement provided that the statement was reasonably detailed about the regime to be imposed from [1 August 1989] so that you were not open to the charge of ushering in a period of substantial uncertainty. The fact that you would be announcing that the option for taxation would be available would reduce the chances of the feast/famine syndrome being of damaging proportions. The only businesses which would have an incentive to bring forward work to beat the effective date of [1 August 1989] would be those exempt or partly exempt businesses acquiring new buildings for their own occupation. Property developers and landlords would be protected by the option facility which would allow them to recover as input tax any VAT incurred after [1 August 1989].

10. If you agree with this approach, we will submit to the Economic Secretary a more detailed paper on the issues to be decided and on the terms of an announcement.



**MEDICAL CARE (SPECTACLES)**

11. With judgment on 23 February, as long as it is in line with the Advocate General's opinion or any variations are reasonably straightforward, we could cope with implementation in the 1988 Budget. This would bring in some £15 million extra revenue next year and £25 million in 1989-90. But it is perhaps worth pausing to consider again whether it would be desirable or necessary to act this year.

12. The major development since the Advocate General delivered his Opinion last July has been the proposals announced by the Secretary of State for Social Services to impose charges on eye tests and dental check-ups. Powers to do this are included in the Health & Medicines Bill, which had its second reading on 7 December and is expected to be given royal assent in early summer. The charges themselves are unlikely to be introduced before April of next year. Nonetheless, any legislation to tax spectacles and other goods associated with medical care - even though the issues involved are entirely separate and the decision to tax is one imposed by our EC Treaty obligations - can be expected to fuel the current controversy over the imposition of these charges.

13. So the timing is awkward. Fiscal legislation in 1988 implemented quickly, would coincide with DHSS legislation but not with the actual introduction of the new eye test charges. Waiting until 1989 would distance the fiscal legislation from the health legislation but would mean that VAT on spectacles and the new test charges would come into effect at much the same time. You will want to judge the politics of this, but there might be a case for not hastening: you are entitled to say that the matter needs time for consideration, and it might be easier to handle all the adverse infraction judgments at one time, in the Budget of 1989.

14. Legislation to put into effect an adverse judgment of the Court would, we hope, be relatively straightforward. It could be



✓ effected either by a Treasury Order, which (since it extends the charge to tax) would require an affirmative resolution of the House of Commons within 28 days of its making, or, a Budget Resolution and Finance Bill clause. Given that the matter could be contentious and the yield from the change would be about £25 million a year, we would recommend Finance Bill legislation. If you wish to act in 1988, we request authority to instruct Parliamentary Counsel.

15. When the Court's decision is published, a very quick Government reaction will be expected. This will depend on your decision on the timing. One possibility is a holding statement promising an announcement at the time of the Budget. If you wish to act in 1988, that would seem right. An alternative would be a longer statement, indicating that the Government will abide by the ruling of the Court, but needs time to study it; that any amendment to UK law will require the approval of the House of Commons; and (depending on your view on the timing) the Government does not expect to propose legislation before the Budget of 1989.

16. We seek a decision on the timing of implementation: we would have a slight preference for not hastening, but it is really a matter of political judgment. If the decision is to go for 1988, we will make a more detailed submission to the Economic Secretary, but would be grateful for authority to draft.

*P. Jefferson Smith*

P JEFFERSON SMITH



RESTRICTED

*pur*  
FROM: A BOTTRILL  
DATE: 27 JANUARY 1988

MISS C EVANS

cc PS/Chancellor ✓  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr Odling-Smee  
Mr Sedgwick  
Mr Owen

**BUDGET TIMETABLE**

The CSO has agreed to provide the 1987(Q4) balance of payments figure to us internally by 4 March and to publish them on 11 March. This should allow us to incorporate any necessary changes in the FSBR. It also means that the figures will be published ahead of Budget day.

*ABM U*

A BOTTRILL



FROM: MARK CALL  
DATE: 28 JANUARY 1988

ECONOMIC SECRETARY

cc Chancellor  
Chief Secretary  
Financial Secretary  
Paymaster General  
Mr Cropper  
Mr Tyrie

ECONOMIC SECRETARY'S BACKBENCH BUDGET SOUNDINGS: 27 JANUARY

Those Present:

Economic Secretary  
Robert Key, MP  
David Nicholson, MP  
Henry Bellingham, MP  
Gwilym Jones, MP  
David Porter, MP  
Dr Charles Goodson-Wickes, MP  
Mr Cecil Franks, MP  
Mr Christopher Hawkins, MP  
Mr Anthony Coombs, MP  
Mr Vivian Bendall, MP  
Mr Nicholas Fairbairn, MP  
Mr Call

Robert Key said the Chancellor should not be deflected from tax cuts because of the current debate on the Health Service. He believed tax cuts would, in the long term, lead to more public expenditure, although this message was difficult to get across.

David Nicholson said the gap between the 27% basic rate and the 40% first band of higher rate was too wide. He said there was a need to do something for lower paid employees to ease the poverty/unemployment traps. He advised against extending VAT to newspapers or books. He did see a case for this if there was a need for the revenue, but not otherwise. No more money should be put into the NHS until the holes had been blocked.

Henry Bellingham agreed that VAT should not be extended to newspapers or books. Tax reductions should concentrate on the basic and middle rates. CGT should be abolished. He was worried about the large proportion of funds invested through BES that were going into firms capitalised at a high level. He advocated



introduction of an upper limit on BES investment going into any one company, perhaps £20,000.

Gwilym Jones agreed that basic and higher rate income tax should be reduced, but not at any price. He was apprehensive about the NHS. The Government should not be frightened of putting more money into the NHS: he had in mind a few hundred million pounds. NICs should be replaced with a health tax and social security tax. He believed the recent Alliance fiasco demonstrated the political worth of MTR. This should be applicable to the basic rate of income tax only, but have no upper limit. He believed the tobacco industry was suffering from cheap imports, and urged the Chancellor to put up tobacco duty by no more than the rate of inflation.

David Porter agreed that CGT should be abolished. He was also in favour of a specific health tax.

Dr Charles Goodson-Wickes agreed that CGT should be abolished, especially long-term CGT, before the next Election if not in this Budget. Stamp Duty should be reduced. Greater tax relief should be given to individuals to encourage giving to charity. On the NHS he was not in favour of more funding before the fundamental problems had been sorted out.

Cecil Franks said that Stamp Duty should be abolished. More funding for the NHS would be needed in the short term, and a new name should be found for National Insurance. Some of the available fiscal adjustment should be put into the Contingency Fund to cover future likely increases for the NHS.

Chris Hawkins was in favour of increasing the rate of CGT. MIR for new mortgages should be confined to basic rate, and the ceiling raised to £70,000. More should be done to help the lower paid. Currently, because of the effect of personal allowances, higher rate taxpayers gained most from changes in thresholds. Allowances should be applied after tax liability had been calculated on gross income. On the NHS, he believed that more money would have to be put in, of the order of £500 million.



Anthony Coombs was in favour of introducing a new lower rate band of income tax below the 25p band. Higher rate M R should be abolished, or phased out. Tax incentives for industrial investment should be introduced, perhaps targetted through a BES-like scheme towards small workshops. On the NHS, he said no more money should be pumped in until the problem had been sorted out. He was in favour of tax relief for private health insurance.

Vivian Bendall said Stamp Duty and long-term CGT should be abolished. "Something should be done" about War Widows pensions. A start should be made on moving towards independent taxation for married women. He was against making additional funds available for the NHS in the short term.

Nicholas Fairbairn agreed with the need for tax cuts. CGT should be reduced. Paperwork associated with VAT and income tax was far too complicated, and the whole tax system needed simplifying. The wages of staff employed by individuals should be allowable against income tax. No more money should be made available for the National Health Service "brontosaurus". We have much to learn from the German system of health provision.

Mc  
MARK CALL



FINANCIAL SECRETARY

FROM: A G TYRIE

DATE: 28 JANUARY 1988

cc Chancellor  
Chief Secretary  
Paymaster General  
Economic Secretary  
Mr Forman MP  
Mr Cropper  
Mr Call

## FINANCIAL SECRETARY'S BUDGET SOUNDINGS - 27TH JANUARY

Present: Financial Secretary  
Tim Janman MP  
Keith Mans MP  
Michael Irvine MP  
Roger Sims MP  
Tim Boswell MP  
John Maples MP  
Andrew Tyrie

Mr Janman advocated a standstill on all excise duties, particularly drink and tobacco. This, he asserted, would reduce life expectancy and hence NHS spending. He suggested tax relief on health insurance, an increase in thresholds, putting mortgage interest relief on a residence basis, and a zero PSBR.

Mr Mans advocated putting VAT on newspapers, getting rid of the Resale Price Maintenance on books, a reduction in employers' NICs in preference to any further reduction in corporation tax, removal of higher rate relief on mortgage interest, and the steady abolition of all capital taxes.

Mr Irvine advocated integration of the tax and benefit system as part of a campaign to reduce the poverty trap. He recommended only 1p off income tax. We wanted either the gradual elimination of mortgage interest relief in exchange for reductions in the basic rate of income tax or the extension of mortgage interest relief to the private rented sector through a housing allowance. His general preference was to get rid of reliefs and to get taxes down.

Mr Boswell counselled for a prudent budget. He wanted to see an increase in allowances, action on NICs to help the lower paid, an extension to the VAT base, possibly with the



introduction of a reduced rate of VAT, removal of CGT for possessions held for more than 5 years (a la County Landowners Association).

Mr Sims advocated no more than a penny off the income tax and relief for health insurance.

  
A G TYRIE



FROM: MARK CALL  
DATE: 28 JAN ARY 1988

CHIEF SECRETARY

cc Chancellor  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Tyrie

CHIEF SECRETARY'S BUDGET SOUNDINGS: 27 JANUARY

Those Present: Chief Secretary  
Mr Simon Coombs, MP  
Mr Michael Colvin, MP  
Mr Eric Forth, MP  
Mr Bill Cash, MP  
Sir Fergus Montgomery, MP  
Mr Call

Michael Colvin said reducing taxes was a priority, and advocated income tax rates of 25p/50p. Alcohol taxes, especially spirits and wine, should be increased. VAT on English wine should be at a lower rate than on imported wine. On the taxation of aviation fuel, the duty on AVGAS should be removed. This was used by small aircraft for private flying, 80-90% of which was now business travel. Duty on AVGAS was an anomaly while no duty was charged on AVT R. AVTUR is used by commercial airlines, 75% of whose passengers are travelling for leisure. Abolition of the AVGAS duty would cost £2.8 million per annum. On VAT, he said the practice of the Customs and Excise of basing VAT liability on quarterly figures was causing small companies very severe cash flow problems. The regulations should be changed to alleviate this. Mortgage Interest Relief should be put on a residence basis. The Give-As-You-Earn limit of £10 per month was much too small, and this should either be doubled or scrapped.

Sir Fergus Montgomery was in favour of reducing the rate of IHT. He urged simplification of the paper work associated with VAT for small businesses. The £32 duty free personal allowance for imported gifts was too low.



Bill Cash urged measures to encourage small businesses. IHT and CGT should be reformed. IHT was preventing family businesses from passing to the next generation. They were selling out instead, with ownership often passing to London. This undermined the enterprise culture in the regions. Tax incentives for R&D in the early stages of a business should be introduced. The Government should undertake a 5-year programme to simplify the tax system. On extension of VAT, he said the Government should not "give in to Lord Cockfield".

Eric Forth stressed that there had been a Manifesto commitment to cut taxes, and the Chancellor should not hesitate to do so in this Budget. He would like a basic rate of less than 25p, but recognised that this would be very expensive. There was room for an intermediate band between 25p and 40p. He was against increased duties on alcohol, saying the Treasury's job was to raise revenue not moralise. As a non-believer in inherited wealth, he was against reductions in the rates of IHT. He would be against measures that added cost to businesses. He cautioned against being macho and getting entrenched on VAT, saying the ECJ may oblige us to do something.

Simon Coombs said that the higher rates of income tax must be reduced, and the gap between the basic rate and the first higher rate narrowed. If the Chancellor felt able to go for 25p in the Budget he should set another target. Independent taxation for women should be introduced. Duty on alcohol and tobacco should be increased greatly. The Car Tax was a burden on the auto industry and should be reduced or abolished. IHT should be reduced. The Customs and Excise 90-day rule on VAT payment should be relaxed, to help small companies with lumpy income. The MIR ceiling should be increased. Overall, this Budget should not be too cautious. A National Lottery should be considered, to raise money for the Arts, not the NHS.

Mc  
MARK CALL





HOUSE OF COMMONS  
LONDON SW1A 0AA

28 January 1988

cc: [Handwritten signature]

The Rt. Hon. John Major, MP  
HM Treasury  
Parliament Street  
London SW1

Dear John,

Thank you for your kind invitation to pre-budget soundings on 9 February. I am afraid just as with the Treasury Tuesday attendance at the back-bench meeting I will be locked in a Bill Committee on that occasion.

I would therefore like to set out briefly my thoughts on the opportunities this budget presents.

1. Removing impediments to the capital owning democracy

(a) Capital Gains Tax. This should be abolished. Alternatively everyone should be given a £10,000 gains tax allowance and all of the indexation provisions should be abolished which are time consuming and now largely unnecessary.

(b) Inheritance Tax. This tax is now catching practically everybody in the South East who owns a home. It was designed to be a tax on the rich only. Raise the starting point of the tax to £500,000 and simplify it to two rates only, 25% and 50%.

(c) Stamp Duty. Halve stamp duty again but bring government securities into the tax net. This, according to Treasury figures, would be self financing on securities.

2. Righting the wrongs of husband and wife taxation

(a) Investment Income. A woman should be allowed to treat her investment income separately from her husband's for tax purposes - and for capital gains tax (see above).

(b) Mortgage Interest Relief. Both husband and wife should enjoy a £30,000 mortgage interest relief. Large numbers of people are not marrying in order to preserve two lots of mortgage interest relief. The relief should be limited to the standard rate of tax only. The net cost is small.

(c) The Married Man's Allowance. This should be left in place. Transferable allowances are too difficult and administratively costly.

3. Removing incentives to enterprise

(a) All higher rates of tax should be abolished, save the 40% rate.



(b) Income tax should be brought down to nearer 20% over the life of this Parliament. I do not think it is too important to cut the income tax rate substantially in this budget and there is every reason to maintain fiscal prudence.

Please do not give in to the endless lobbies to bring back capital allowances and other tax breaks to British industry - it does not need it. Additional revenues to finance reform could be found by a higher than average increase in taxes on tobacco and drinks.

It would be quite wrong to change the public spending totals for next year. However, there remains considerable fat within several programmes. The Treasury should be pushing to cut the amount of money spent on Europe - preferably by nationalising agricultural subsidies again and cutting them. It should be aiming to roll back the new advance made by the DTI - why on earth is their expenditure rising by a quarter next year? The Party was pleased with the abolition of regional grants and there was no need to invent a new type of subsidy. Scotland is heavily over endowed with public spending and is a living proof that it does not buy popularity for the Conservative cause. ECGD is becoming a disaster area and a tighter grip is needed over the type of risk they assume and the charges they make for cover. The Treasury should be thinking in the medium term about winding up the Energy Department and transferring any residual regulatory functions to the DTI. On the other side of the account more money will be needed for health, but this should be to purchase advances in the delivery and management of the Service.

It is a pleasure to be able to write at a time when the economy is performing so well and as a result the Chancellor has so many options. Good luck!

Yours sincerely,

Copy to: The Rt. Hon. Nigel Lawson, MP  
The Rt. Hon. Norman Lamont, MP  
Peter Cropper, Esq.



HOUSE OF COMMONS  
LONDON SW1A 0AA*Mr Cropper Mr Tyrie  
Mr Call  
Mr Farrell MP.*

28 January 1988

The Rt. Hon. John Major, MP  
HM Treasury  
Parliament Street  
London SW1

Dear John,

Thank you for your kind invitation to pre-budget soundings on 9 February. I am afraid just as with the Treasury Tuesday attendance at the back-bench meeting I will be locked in a Bill Committee on that occasion.

I would therefore like to set out briefly my thoughts on the opportunities this budget presents.

1. Removing impediments to the capital owning democracy

(a) Capital Gains Tax. This should be abolished. Alternatively everyone should be given a £10,000 gains tax allowance and all of the indexation provisions should be abolished which are time consuming and now largely unnecessary.

(b) Inheritance Tax. This tax is now catching practically everybody in the South East who owns a home. It was designed to be a tax on the rich only. Raise the starting point of the tax to £500,000 and simplify it to two rates only, 25% and 50%.

(c) Stamp Duty. Halve stamp duty again but bring government securities into the tax net. This, according to Treasury figures, would be self financing on securities.

2. Righting the wrongs of husband and wife taxation

(a) Investment Income. A woman should be allowed to treat her investment income separately from her husband's for tax purposes - and for capital gains tax (see above).

(b) Mortgage Interest Relief. Both husband and wife should enjoy a £30,000 mortgage interest relief. Large numbers of people are not marrying in order to preserve two lots of mortgage interest relief. The relief should be limited to the standard rate of tax only. The net cost is small.

(c) The Married Man's Allowance. This should be left in place. Transferable allowances are too difficult and administratively costly.

3. Removing incentives to enterprise

(a) All higher rates of tax should be abolished, save the 40% rate.



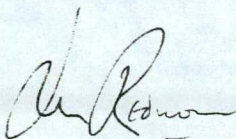
(b) Income tax should be brought down to nearer 20% over the life of this Parliament. I do not think it is too important to cut the income tax rate substantially in this budget and there is every reason to maintain fiscal prudence.

Please do not give in to the endless lobbies to bring back capital allowances and other tax breaks to British industry - it does not need it. Additional revenues to finance reform could be found by a higher than average increase in taxes on tobacco and drinks.

It would be quite wrong to change the public spending totals for next year. However, there remains considerable fat within several programmes. The Treasury should be pushing to cut the amount of money spent on Europe - preferably by nationalising agricultural subsidies again and cutting them. It should be aiming to roll back the new advance made by the DTI - why on earth is their expenditure rising by a quarter next year? The Party was pleased with the abolition of regional grants and there was no need to invent a new type of subsidy. Scotland is heavily over endowed with public spending and is a living proof that it does not buy popularity for the Conservative cause. ECGD is becoming a disaster area and a tighter grip is needed over the type of risk they assume and the charges they make for cover. The Treasury should be thinking in the medium term about winding up the Energy Department and transferring any residual regulatory functions to the DTI. On the other side of the account more money will be needed for health, but this should be to purchase advances in the delivery and management of the Service.

It is a pleasure to be able to write at a time when the economy is performing so well and as a result the Chancellor has so many options. Good luck!

Yours sincerely,



Copy to: The Rt. Hon. Nigel Lawson, MP  
The Rt. Hon. Norman Lamont, MP  
Peter Cropper, Esq.





COPY NO. 13 OF 14.

FROM: J M G TAYLOR

DATE: 28 January 1988

PS/INLAND REVENUE

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Cropper  
Mr Tyrie  
Mr Call

## REMOVING ALLOWANCES FROM TOP RATE RELIEF

The Chancellor has seen the Economic Secretary's minute of 27 January. This suggests that all personal reliefs and allowances might be disallowed against higher rates by the device of setting the higher rate threshold at a fixed amount of gross income.

2. He has commented that he is not yet convinced that it might be possible to persuade the Prime Minister that this met the manifesto pledge on MIR (as the Economic Secretary suggests it might). But he would be grateful for Inland Revenue advice, by close tomorrow, on:

- Whether this could be done for this Budget?
- What would the higher rate (gross income) threshold be on a revenue neutral basis?

A handwritten signature, likely of J M G Taylor, consisting of stylized initials.

J M G TAYLOR





*mp*

FROM: MOIRA WALLACE

DATE: 29 January 1988

MR TYRIE

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Call  
Mr Forman MP

**CHANCELLOR'S BUDGET SOUNDINGS - 20 JANUARY**

The Chancellor was very grateful for your minute of 21 January.

*mpw*

MOIRA WALLACE





FROM: MOIRA WALLACE

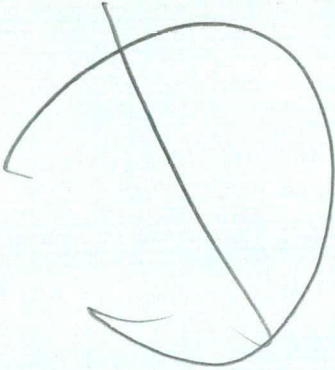
DATE: 29 January 1988

MR TYRIE

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Call  
Mr Forman MP

**CHANCELLOR'S BUDGET SOUNDINGS - 20 JANUARY**

The Chancellor was very grateful for your minute of 21 January.



MOIRA WALLACE

*Sorry I've  
mutilated  
this*

*can*

*I  
have  
another  
copy p1*



PWF



FROM: A P HUDSON

DATE: 29 January 1988

MISS C EVANS

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Dame A Mueller  
Mr Anson  
Mr Kemp  
Mr Lankester  
Mr Monck  
Mr Scholar  
Mr Culpin  
Mrs Lomax  
Mr Odling-Smee  
Mr Peretz  
Mr Sedgwick  
Mr Turnbull  
Mr R I G Allen  
Mr Pickford  
Mr Cropper  
Mr Tyrie  
Mr Call

**TCSC: BUDGET HEARINGS**

The Chancellor was grateful for your 25 January minute.

2. He is content with the preferred plan in your paragraph 2. As we discussed, 29 March is not attractive, because of the Chancellor's Speech to the American Correspondents in London, and the lack of time to get a transcript of the Governor's evidence. You told me that the Clerk had indicated that he could consider the morning of 30 March as a fallback, if the House rises that day, and the Chancellor is grateful for that.

A stylized signature consisting of the letters 'A', 'P', and 'H' written in a cursive, overlapping manner.

A P HUDSON



*mpw*

FROM: MOIRA WALLACE

DATE: 29 January 1988

PS/FINANCIAL SECRETARY

cc Chief Secretary  
Paymaster General  
Economic Secretary  
Mr Cropper  
Mr Tyrie  
Mr Call

**FINANCIAL SECRETARY'S BACKBENCH BUDGET SOUNDINGS: 25 JANUARY**

The Chancellor has seen Mr Call's minute of 26 January. He has commented that Ms Nicholson's point about War Widows' pensions is of course a public expenditure matter and not for the Budget - but the grievance of War Widows about the better treatment of Falkland's Widows is real.

*mpw*

MOIRA WALLACE



pnp.

PAYMASTER GENERAL

FROM: A G TYRIE

DATE: 29 JANUARY 1988

cc . Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Mr Forman MP  
Mr Cropper  
Mr Call

## PAYMASTER GENERAL'S PRE-BUDGET SOUNDINGS - 28TH JANUARY

Present: Paymaster General  
Sydney Chapman RIBA FRTPI MP  
Christopher Butler MP  
Richard Alexander MP  
Gerald Bowden TD MP  
Michael Stern FCA MP  
Andrew Tyrie

Mr Chapman wanted to see unification of income tax and NICs at the bottom end. He supported the Butterfill home income plan. He opposed any extension of VAT. Although recognising that it was not a budget measure he thought it wrong that area health authorities might have to bear the burden of the pay review bodies decisions.

Mr Butler doubted that we should increase spending on the NHS and that if we did so it should be part of a package from which the Government obtained a substantial quid pro quo. He advocated a substantial reduction in the higher rates, a reduction in the tax penalties on marriage as part of a family package, the abolition of CGT on individuals, and the extension of VAT to newspapers and possibly books, the latter in tandem with the abolition of the net book agreement.

Mr Alexander supported the Butterfill proposal, thought that all capital taxes should be abolished, proposed an increase



in excise duties on drink or tobacco, opposed any extension to VAT. He thought that the double dose of mortgage tax relief available to unmarried couples should be removed. He thought that there should be 'more than a nod' in the direction of the NHS.

Mr Bowden thought that the NHS should be recognised in some way, possibly through tax relief on health insurance. He wanted to see a cut in the basic rate of income tax, and a rise in the thresholds. He supported an increase in excise duties, and also the Butterfill proposal.

Ivor Stanbrook was unable to attend but left a telephone message: 'For heaven's sake change the rules under which unmarried couples living together can both get MIRAS'.

PP  
RG -  
A G TYRIE



FROM: R I G ALLEN  
DATE: 29 JANUARY 1988

CHANCELLOR

*A*  
*shall we fix a date*  
*with Budget & dinner*  
*is?* *ABX*

cc Mrs Lawson  
Mr Bush  
Mr Porteous  
Mr Gunton  
Mrs Thorpe

*yes p86-  
mt.*

## BUDGET PUBLICITY

Although still early days, it would be sensible to start thinking about the Budget publicity arrangements. And there are a few operational decisions which need to be taken more or less immediately.

2. A suggested schedule, following last year's precedent, is as follows:

- 11 February. FT photograph: all Treasury Ministers (HMT).
- 3 March. Interview for the ITN Budget filler (No.11).
- 4 March. Interview for the BBC Budget filler (No.11).
- 10 March. Photo opportunity: you and the Budget box (HMT).
- 12 March. Photo opportunity: you and the family (Stoney Stanton or No.11 - see below).  
*or Dorneywood?*
- 15 March. (Morning) Photo opportunity: walk in the park.  
(Afternoon) Departure for the House.  
Speech.  
Backbench Finance Committee.  
Parliamentary Lobby.  
[Phone calls (last year you spoke to David English and Nick Lloyd).]  
Budget Broadcast.  
[COI radio interview (tedious but you ought to do it).]  
*CST*



- 16 March. Morning radio interviews (BBC's Today" and IRN equivalent).

Lunch for Economist (No.11).

Afternoon briefing for City and Economic correspondents (No.11).

- 17 March. Morning interview on BBC Radio's "Jimmy Young" programme.

Lunch with the regional papers (No.11).

Afternoon interview with Mike Steele, Leicester Mercury (No.11).

- 18 March. Sunday Lobby (No.11).

3. I have made provisional bookings in your diary.

4. It would be helpful to have your guidance on a number of immediate points:

a. Do you want to repeat the BBC and ITN fillers, bids for which have already been received? These are tiresome, but you have done them for the last three years. Both companies have proposed some small changes in the traditional format (see attached note from Michael Gunton).

b. Are you amenable to the birthday cake cutting idea as a substitute for the Stoney Stanton photo opportunity? This is Mrs Lawson's idea and is spelled out in the second of Michael Gunton's notes, also attached.

c. On the Friday morning after the Budget (18 March), are you content in principle to do the Sunday Lobby: an alternative would be the Thursday afternoon?



d. Subject to your answers to these three questions, may I make firm bookings in your diary for everything in paragraph 2?

e. May I also send out the luncheon invitations to the Economist and the Regionals?

5. The next steps are as follows:

- we consult the London police;
- we let you have a draft operational note inviting people to the various photo sessions;
- I consult you separately about the division of broadcasting labour between Ministers on Budget day and the following day;
- I also consult you, nearer the time, about those briefings and interviews which are not quite such a matter of clockwork; and
- I will let you have a separate note, in the next day or two, on the EPR Budget Supplement.

?? 6. Finally, it is worth noting that the BBC are planning a significant change in their coverage of the Budget speech this year. The intention is to broadcast the speech virtually uninterrupted (in contrast to the usual ratio of 40 per cent speech to 60 per cent comment), on the assumption that it is not markedly longer than last year's. The BBC seem to feel that the traditional treatment was confusing and failed to give a sense of occasion. BBC's request for stills photographs (see Mr Gunton's minute of 18 January) is to provide the necessary visual variety to accompany the speech. BBC estimate the Budget programme audience at between 4-6 million.

*12/7*

R I G ALLEN



FROM: MICHAEL GUNTON  
DATE: 18 JANUARY 1988

1. MR ALLEN  
2. CHANCELLOR

cc Mr Bush

#### BUDGET PROGRAMME FILLERS

Both the BBC and ITN have put in bids for interviews with the Chancellor for their Budget Day programme. The interviews are used in the 30-60 minutes before the Budget speech starts and replace "wittering" by pundits. They are usually confined to non-controversial matters and take place at No 11.

Both companies wish to propose changes to the traditional format.

1. BBC would like to have a stills camera in the room whilst David Dimbleby is interviewing the Chancellor so they can take a range of photographs to be used during the run-up to the speech and the speech itself. They would also like the Chancellor to wear the same suit for the interview as he will for the Budget so that the photographs have a degree of continuity throughout the programme.

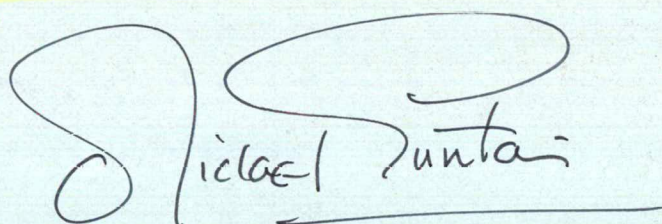
2. ITN would like the interview as usual - with either Alistair Stewart (who did a good job last year) or Ed Mitchell. But they would like to do some photography beforehand - the plan is that they want to depict the Chancellor's journey from No.11 to the House to create an atmosphere of anticipation. To do this they

May not  
be v  
easy



would like to send a camera to photograph descending the staircase at No 11, coming out through the door, getting into a car, driving out of Downing Street, along Whitehall to Parliament. This should in no way inconvenience the Chancellor and would be easy to arrange.

(wonder if  
photographs  
missing?)

A handwritten signature in dark ink, appearing to read 'Michael Gunton'. The signature is stylized with large, sweeping loops for the first two letters 'M' and 'G'.

MICHAEL GUNTON



FROM: MICHAEL GUNTON  
DATE: 22 JANUARY 1988

MR ALLEN

cc Mrs Lawson  
Mr Bush

BUDGET PUBLICITY

Alternative proposals for Saturday 12 March.

For some time now it has been felt that the traditional press photographer's visit to the Chancellor's home at Stoney Stanton on the Saturday before Budget Day has lost its impact and is "old hat".

Mrs Lawson has now put forward a suggestion which I think is an extremely good one, will create even more interest and will save both the Lawson family and press photographers the inconvenience of going all the way to Stoney Stanton for an event which lasts no more than 30 minutes.

Her suggestion is that as it is the Chancellor's birthday the previous day (11 March), the press should be invited to No 11 on Saturday morning for a Budget Box-shaped birthday cake cutting ceremony. I think it is a brilliant idea and suggest the following plan:-

i) The ceremony should be held in the State Room at No 11 at around 11 am.

ii) That photographers only (stressed in the Operational Note) from television, the national press and the Leicestershire local press - about 18-24 in all (depending on the size of the tv crews) - should be invited.



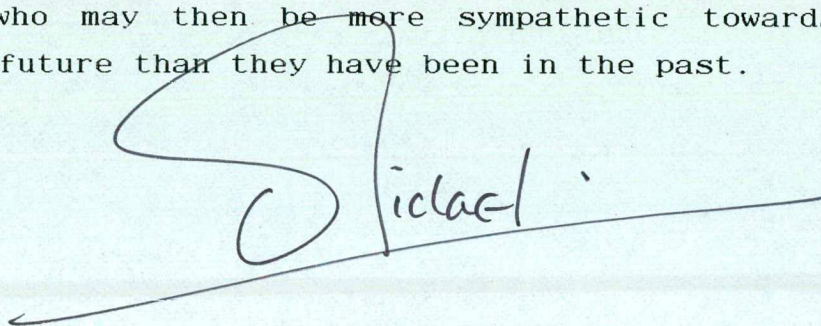
iii) The photographers should be allowed into No 11 from 10.30 am for a setting up period.

iv) That the Chancellor should arrive in the State Room at 11 am and a few minutes later Mrs Lawson (with the necessary assistance), Tom and Emily should follow carrying the Birthday cake. The cutting ceremony should then take place. This will give the photographers a number of alternative shots and hopefully provide a greater range of photographs.

v) After the ceremony the visitors should be provided with coffee and cake (not necessarily the Birthday cake) served by Mrs Lawson and helpers.

Apart from making the traditional "the Chancellor-relaxing-at-home" event much more convenient it is an idea that is both new and fresh.

The reason for suggesting that Mrs Lawson serves refreshments is that it will create a more friendly atmosphere, put her in a favourable light with the press who may then be more sympathetic towards her in the future than they have been in the past.

A large, stylized handwritten signature in dark ink. The first part is a large, looped 'S' that extends downwards and to the left. The second part is the name 'Michael' written in a cursive script. A long horizontal line extends from the end of the signature across the page.


MICHAEL GUNTON



29th January, 1988

Our ref: RWW/BDH

ECONOMIC SECRETARY	
REC'D	01 FEB 1988
ACTION	MISS SINCLAIR
COPIES TO	PS CHANCELLOR SIR P MIDDLETON MR SCHOLAR MRS LOMAX MR WALPIN MR ILETT

119  
HODGSON  
IMPEY   
CHARTERED ACCOUNTANTS

P Lilley Esq  
Economic Secretary to the Treasury  
The Treasury  
Parliament Street  
LONDON SW1

Spectrum House  
20-26 Cursitor Street  
London EC4A 1HY  
Telephone 01-405 2088  
Telex 8814562 Fax 01-831 2206  
DX 458 London/Chancery Lane WC2

Dear Mr Lilley,

I am writing to ask you whether you would be willing to take part in a presentation which my firm is intending to give to our clients and business contacts in and around the City.

As you may be aware, this firm is one of the larger UK firms of Chartered Accountants and we have among our clients a number of small and expanding businesses which require us to provide them regularly with up-to-date information concerning business matters, including taxation. One of the ways in which we do this is to organise seminars around the country each year, the day after the Budget takes place, in which we describe the main provisions of the Budget which will affect our clients, and how they will be affected.

This year, we are intending to give two such presentations in London and we feel that they would be of far greater value to our clients and contacts if the Treasury was represented to describe, for example, the intentions behind the budget and the Treasury's hopes as to how business would be benefitted by the Budget provisions.

For this reason, I am writing to ask if you, or one of your colleagues if you are unable to do so personally, would be willing to attend one of our seminars on the 16th March with a view to giving a short presentation, for example ten minutes, on such matters as you believe to be appropriate. We are currently intending to hold our seminars at 8.30 a.m. and at lunch-time on the 16th March, but if you or a colleague would prefer the event to be held at another time that day, we would be happy to re-arrange the time to suit you.

Cont...../2

Offices at Aberdeen Beverley Birmingham Boston Bourne Chelmsford Chester  
Coventry Dublin Edinburgh Fleetwood Glasgow Grimsby Harlow Hereford Horsham  
Hull Leeds Lerwick Liverpool London Newcastle upon Tyne Spalding Thames Valley  
Worcester

A list of partners is available for inspection at the above address

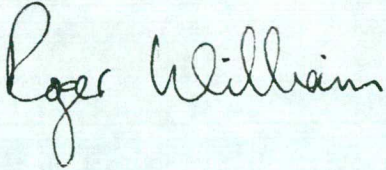


A member of HLB International



I hope that you will be able to take part in one of our seminars, and should be grateful for a quick reply as, you will appreciate, we will need to send out invitations to our clients in the very near future.

Yours sincerely,

A handwritten signature in cursive script that reads "Roger Williams". The signature is written in dark ink and is positioned above the typed name.

R W Williams



CONFIDENTIAL



*ps*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

29 January 1988

*Dear Alex,*

CABINET PRE-BUDGET DISCUSSION

The Chancellor took the Prime Minister's mind yesterday on the appropriate date for the Cabinet discussion of Budget prospects. The Prime Minister endorsed the Chancellor's wish for this to be on 18 February.

I am copying this letter to Richard Wilson (Cabinet Office).

*Yours,  
P.G.*

PAUL GRAY

Alex Allan, Esq.,  
H.M. Treasury.

1/2

CH/EXCHEQUER	
REC.	01 FEB 1988
ACTION	
COPIES	50 P Middleton
	50 T Burns
	Mr Collins Sme
	Miss C Evans

CONFIDENTIAL





## Inland Revenue

Policy Division  
Somerset House

FROM: B A MACE

DATE: 29 JANUARY 1988

Ch  
A non-runner, 1/2 year.

Copy No 1 of 19.

1. MR ISAAC
2. CHANCELLOR OF THE EXCHEQUER

*Man. A. Mace. work  
No change.*

REMOVING ALLOWANCES FROM TOP RATE RELIEF

1. You asked for urgent advice on the suggestion in the Economic Secretary's note of 27 January that all personal reliefs and allowances might be disallowed by the device of setting the higher rate threshold at a fixed amount of gross income.

2. I am afraid that we see no possibility of making this change in the coming Budget; and we think it is doubtful whether it could be achieved at all in quite the way the Economic Secretary suggests.

3. There are three main reasons for this.

4. First, the change would require a fundamental recasting of the basic charging provisions for the income tax. At present the charging provisions - and the whole structure of the Income Tax Acts - is based on a measure of income after deducting reliefs and allowances. There is no concept of "gross income" in the legislation. In order to charge higher rate tax by reference to "gross income" it would be necessary to define precisely what was

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Mr Scholar  
Miss Sinclair  
Mr Cropper  
Mr Tyrie  
Mr Call

Chairman  
Mr Isaac  
Mr Lewis  
Mr Johns  
Mr O'Connor  
Mr R H Allen  
Mr Mace  
PS/IR



meant. This is not simply a question of changing the legislation so as to add back to the present definition of taxable income the most frequently occurring reliefs - the personal allowances, mortgage interest relief, superannuation contributions - to arrive at a measure of "gross income", though this would be a substantial task in itself. To get an acceptable and consistent result it would be necessary to consider the whole range of deductions - other allowable interest, BES relief, charitable covenants and so on - which are currently made in arriving at the measure of income on which income tax is charged in order to decide which would go into the calculation of "gross income" and which would not. One would not necessarily want to restrict all reliefs to the basic rate since there are a number of items where it is of the essence that the deduction should reduce the amount in charge at all rates of tax. This can be illustrated by considering employee expenses. If an employer gives an employee a lump sum to cover work expenses and the employee then claims relief for those wholly, exclusively and necessarily incurred in performing his duties one would not want to charge him at higher rates on the reimbursement (as a part of his "gross income") but give relief only at the basic rate on the allowable portion of the expenses.

5. Second, even if a fairly restricted approach were adopted to the reliefs and allowances which would be added back to the present definition of taxable income in order to arrive at a measure of "gross income" for setting the higher rate threshold, it would be necessary to find some way of dealing with the discontinuity of treatment (which would otherwise arise) between "higher rate" taxpayers, whose income for higher rate tax purposes would be "gross income" (before deductions), and "basic rate" taxpayers whose income for tax purposes would still be determined after deduction of reliefs and allowances. The question is what would be the tax liability of an individual with, for example, earnings (gross income) of £25,100 and personal allowances of £4,000, if the higher rate threshold were at £25,000 of gross income? Would he be liable only at the basic rate on taxable income of £21,100 (25,100 - 4,000) (as a "basic



rate" taxpayer) or at the basic rate on £25,000 (or £21,000?) and the higher rate on £100 (as a "higher rate" taxpayer). And what would be the position if his earnings (gross income) were £24,900? As the Economic Secretary points out, with the present definition of income for tax purposes the effect of restricting a relief to the basic rate can be achieved by setting the higher rate threshold that much lower than you otherwise would. But the result of setting the higher rate threshold relative to a new "gross income" definition of income for tax purposes is rather different because of the effect which the change of definition would have on the amount which ought to be charged at the basic rate.

6. We think the way of dealing with the discontinuity described in the preceding paragraph would be to charge all individuals to tax by reference to the new definition of "gross income" and then give a credit against the tax bill for the value at the basic rate of allowances and reliefs which were to be available at the basic rate only. This would restrict the relief obtained by higher rate taxpayers but give full relief to basic rate taxpayers. It was the approach which was put forward in the tax credit proposals in the early 1970s, but it inevitably requires a further substantial recasting of the basic form of the income tax.

7. Third, once the issues described in the previous paragraphs had been settled it would be necessary completely to restructure the present system of PAYE in order to put the changes into effect. At present PAYE codes, the PAYE tax tables and employers' computerised payrolls are all constructed round the definition of income for tax purposes after reliefs and allowances. In working out an employee's tax week by week the employer deducts from his pay the weekly value of his allowances and reliefs as specified by the employee's PAYE code number and then charges tax using the PAYE tax tables. This automatically gives the right result whether the employee is liable at the basic or the higher rate. But if liability to higher rate tax were to be computed by reference to "gross income" rather than



taxable income the basis of PAYE codes, the structure of the PAYE tax tables and the consequent programming of employers' computer payrolls would need to be radically altered to reflect that, and the more so if allowances and reliefs for everyone had to be expressed in terms of their tax value rather than as deductions from income as at present. Employers would need considerable notice of the change - perhaps 12 months or even more - before they could implement the new system.

8. Including superannuation contributions as part of "gross income" for higher rate purposes would give rise to special problems for employers. At present tax relief for superannuation contribution is given very straightforwardly. Employers simply deduct the amount of the contributions from the employees' pay before applying the PAYE tax tables. This again gives the right result whether the employee is liable at the basic or the higher rates. But this system would no longer work if employees were charged to higher rate tax by reference to "gross income" before deducting superannuation contributions. Some method would have to be found for employers to give relief only at the basic rate on superannuation contributions, perhaps by means of a relief at source like MIRAS.

9. I hope it is clear from what I have said that this proposal is not a starter for this Budget. Consequently I have not diverted our statisticians from other urgent Budget work to make a precise estimate of the revenue neutral level for a higher rate threshold fixed in terms of "gross income", since this would in any event depend on the precise definition of "gross income". (If the only items added back to the present definition of taxable income were mortgage interest relief, superannuation contribution and personal allowances the figure is likely to be in the region of £27,500.)

B A Mace



FROM: MICHAEL GUNTON  
DATE: 1 FEBRUARY 1988

MR ALLEN

cc Mr Bush

POST BUDGET EVENTS

You asked for details of the post-Budget events we have to organise.

1. Economics correspondent's post-Budget briefing

Held at No 11 on morning of Wednesday 16 March.

To be invited:-

Financial Times - Philip Stephens  
Times - Rodney Lord  
Guardian - Hamish McRae  
Telegraph - Anne Segall  
Independent - Sarah Hogg  
Today - Cathy Gunn  
Daily Express - Philip Robinson  
Daily Mail - Andrew Alexander  
Sun - Trevor Kavanagh  
Mirror - Robert Head  
Standard - Anthony Hilton  
Spectator - Christopher Fildes  
Wall Street Journal - Peter Norman *Timmy*  
Herald Tribune - Warren Getler  
PA - Larry Elliott  
Reuters - Sten Stovall  
AP Dow Jones - Marshall Gittler

+ Linda Jordan  
Smallwood  
Kegan  
Murray



2. Economists' lunch

Held at No 11 at 1 pm on 16 March.

To be invited:

Economists: Rupert Pennant-Rea  
Hamish McRae  
Frances Cairncross  
Clive Crook  
Pam Woodall  
John Peet

Treasury: Chancellor  
Mr Scholar  
Mr Monk  
Mr Culpin  
Mr Allen  
Mr Bush

3. Regional City Editors lunch

Held at No 11 on Thursday 17 March

To be invited:

Neville Boyd Mansell - Birmingham Post & Mail  
Kenneth Clay - Exchange Telegraph  
Robert Martin - Glasgow Herald  
John Heffernan - Yorkshire Post  
Clifford German - The Scotsman  
Sebastian Taylor - Financial Information Ltd.

All the luncheon invitations are sent out on cards held by Gill.

I will talk to No 11 about the catering arrangements if you so wish.

MICHAEL GUNTON



CONFIDENTIAL



FROM: J M G TAYLOR

DATE: 1 February 1988

MR JAUNDOO - Inland Revenue

cc PS/IR

**LETTER FROM SIR EMMANUEL KAYE**

The Chancellor would like a short note on how the tables in ... Sir Emmanuel Kaye's letter of 18 January would look on the basis of the current Budget proposals. I should be most grateful for advice.

A handwritten signature, likely of J M G Taylor, consisting of stylized initials.

J M G TAYLOR



# The Unquoted Companies' Group

Founded in 1968 to study the contribution made to the economy by the unquoted sector

6th January, 1988

The Rt. Hon. Nigel Lawson, M.P.  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG.

Please reply to:

Sir Emmanuel Kaye C.B.E.  
Lansing Bagnall Limited  
Kingsclere Road  
BASINGSTOKE, Hants.  
RG21 2XJ

Tel: (0256) 473131.

My dear Chancellor,

I was very intrigued to read your letter of 2nd December, for which many thanks. I quite appreciate that you and the Treasury are now in purdah, and am very pleased you enjoyed lunch: I hope it was not the feast before the fast!

What our charts show, of course, is the basic rate of tax before any business property relief. I do not know whether the examples you quote for the other countries include any similar exemptions or reliefs or, indeed, whether the exemplars are consistent with each other but, assuming there have been no reliefs taken into account, then the picture which emerges of inheritance tax to lineal descendants is as follows:-

## Example 1.

On an estate of £1.1 million:

U.K.	564✓
Japan	362
U.S.A.	309
France	312
Netherlands	270
Belgium	245
Italy	158
Germany	128

BR

HM TREASURY - MCU	
RECEIVED	7 JAN 1988
ACTION	Mrs Barnham FP
	previous correspondence
	CCARS/CAX
	CHX
	10291/88

27552/8  
/over.....



Example 2

As above, but the estate is now worth £2.2 million:-

U.K.	1,224✓
Japan	980
U.S.A.	881
France	750
Netherlands	567
Belgium	521
Italy	439
Germany	304

I cannot think of any good reason why our maximum rate (60%) on transfers to lineal descendants should be more than twice that of the European average on death, nor why the burden of inheritance tax should, on estates between £124,000 and £2.85 million, be heavier now than Denis Healey's punitive March 1974 scale, uprated for inflation (which the main Conservative speakers then referred to as "Draconian"!).

The specific problems of unquoted companies, as you know, stem from the unavailability of cash to pay the tax without selling the shares and thus completely changing (usually for the worse) the whole thrust and stance and commitment of the business.

So far as the U.K. figures in your tables are concerned, these have been calculated on the basis of 50% business property relief, but the majority of the members of The Unquoted Companies' Group have holdings of less than 25% and thus would be subject to only 30% relief. With 30% relief the figures are:

Example 1

U.K.	384✓
Japan	362
U.S.A.	309
France	312
Netherlands	270
Belgium	245
Italy	158
Germany	128

Example 2

Japan	980
U.S.A.	881
U.K.	864✓
France	750
Netherlands	567
Belgium	521
Italy	439
Germany	304



Referring to the examples of overseas countries, of course, one needs to know not only the published scales but also the reliefs and exemptions available, perhaps in extra-statutory concessions or in the application of practical rules of valuation or practice. For example, I know from a New York friend of mine who was recently left a widow that there is no death tax payable at all in the US if one leaves the income of the property to a charity for 11 years - after which time it can be distributed to one's family without any charge (for that is how her husband left the majority of his estate).

As to Japan, I am unfamiliar with its estate duty law and practice but should be very surprised if exemptions - special and extra-statutory concessions - did not exist, as this would be completely in line with Japanese practice in other spheres. What I do know is that there is no general capital gains tax in Japan such as we have, which I am sure you will agree is a very important consideration as the same situation would lose the Exchequer in the U.K., in the current Budget, £1.3 billion - or more than the total yield of U.K. inheritance tax.

You will also note that, even on the basis of your tables and even with 50% property relief, the tax in our principal European competitor, Germany, is less than half that in the U.K.

High inheritance tax has another effect: The majority of private sector employment is in the unquoted sector (some 54%), yet it will continue to be very difficult to incentivise those employees with shares in their holding companies (which, like the Government, the majority of employers consider to be desirable) while an important conflict of interests persists - namely that the principal shareholders will want to keep the value of their shares low (having regard to their potential inheritance tax liability) while the employees will, of course, be seeking a rising value.

All in all, I think you will agree that, despite the welcome advances you have made, the burden of inheritance tax in the UK is too high and should, at least, be cut in half for all ordinary taxpayers on property passing to their lineal descendants: And there is an equally strong case for an increase in business property relief on the lines requested not only by The Unquoted Companies' Group but also by the C.B.I. and the Institute of Directors.

With all good wishes,  
 J. S. L. C. G.  
 7





H.M. CUSTOMS AND EXCISE  
KING'S BEAM HOUSE, MARK LANE  
LONDON EC3R 7HE  
01-626 1515

*pmf*

1. Mr Jefferson Smith

From: W F McGUIGAN

2. PS/Economic Secretary

Date: 1 FEBRUARY 1988

cc PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
Sir P Middleton  
Mr Culpin  
Mr Saunders  
Miss Sinclair  
Mr Michie  
Mr Cropper

BUDGET DEPUTATION : BRITISH MEDICAL ASSOCIATION

I attach briefing, in the standard format, for the Economic Secretary's meeting with the British Medical Association (BMA) at 10.30am on Thursday 4 February. Mr Boardman and I from Customs and Mr Saunders from ST Treasury will provide official support. ST will also provide separate background briefing on current health service expenditure issues.

*W F*  
W F McGUIGAN

---

Internal Circulation

CPS MR KNOX  
MR BOARDMAN

MR JEFFERSON SMITH MR ALLEN MS FRENCH

20/2/88



## BRITISH MEDICAL ASSOCIATION : 1988 BUDGET REPRESENTATION

### ORGANISATION

1. The BMA is the representative body for doctors. It is also the umbrella organisation for this year's health lobby campaign for significantly higher tobacco duties. The delegation will be:

Dr J Marks, Chairman of Council

Dr J Havard, Secretary

Dr J Dawson, Head of Professional and Scientific Division

Mrs P Taylor, Head of Public Affairs

Mr J Ford, Head of Economic Research Unit

Mrs J Townsend, an economist at the Medical Research Council whose work is cited as the basis for much of the BMA case.

### PURPOSE OF MEETING

2. The meeting has been sought by the BMA specifically to "discuss the possibility of a Government tobacco pricing policy, which we believe would both bring increased revenue and save lives" (letter to Chancellor of 9 December 1987). The BMA is not on the core list of organisations normally seen by Ministers before the Budget, and the initial request to see the Chancellor was refused, because of pressure on his diary. After subsequent representations, it was agreed that the delegation should instead be seen by you. As the BMA is not familiar with the conventions for such meetings, it may be desirable for you to explain at the outset your responsibilities for Customs and Excise, that your role is essentially to listen, and that the BMA views will be fully reported to the Chancellor.

### WRITTEN REPRESENTATIONS

3. The BMA written representations are contained in a leaflet (copy attached), issued jointly with Action on Smoking and Health (ASH) and the Health Education Authority (HEA) which has been circulated to all MPs. The leaflet calls for:

- a) a duty increase in the 1988 Budget to raise the price of cigarettes by 21 per cent (between 25 and 33p per packet of 20, depending on the base price assumed); and
- b) real increases in duty of 6 per cent each year in the remainder of this Parliament;

in order to increase cigarette taxation in real terms to and beyond its post-war (1947) peak. The BMA estimates that this would save 15,000 lives a year in the long term, through tax-induced falls in consumption. The Background Note comments in detail on the points made in the leaflet.



## POINTS LIKELY TO BE RAISED

### Establish a Government tobacco pricing policy.

4. Fixing the selling price of goods like cigarettes is inconsistent with the Government's policies for a free market economy. But the Government certainly has a view on the appropriate burden of taxation on tobacco, which currently accounts for 70 per cent or so of the price. The Chancellor of the Exchequer has made it clear that the health argument is taken into account in setting tobacco duty rates, and in past years substantial duty increases have made major contributions to raising the revenue required in the context of the overall Budget strategy. Since 1979 the combined burden of duty and VAT on cigarettes has risen by over 40 per cent in real terms, and cigarette consumption was about 23 per cent lower in 1986 than in 1979.

### Why no duty increase in 1987 Budget?

5. The overall Budget strategy for 1987 did not require extra revenue from an increase in **any** of the major excise duties (petrol, diesel, vehicle excise duty (VED), alcoholic drink and tobacco). The health argument is important, and necessarily the principal concern of health interests. But the overall revenue position, the possible effects on inflation and wage bargaining and the impact on UK industry and the balance of payments are important too. It was in that context that the Chancellor reached the judgement that he did not require an increase in tobacco duty last year.

### BMA proposals would raise additional revenue and protect health

6. Probably true at least in short term. Would also adversely affect UK employment exporting UK jobs as smokers traded-down to cheap imports. Shift pattern of sales from numerous small shop-keepers to supermarkets. Increase RPI by 0.75% in first year with knock-on effects.

### There should be at least a "sensible presumption" of real tobacco duty increases each year?

7. Any commitment to a more or less regular series of predictable duty increases would deprive the Chancellor of the flexibility he needs for implementing his Budget strategy. Decisions on tax levels need to be taken on a year-by-year basis to reflect the changing weight to be given to the various considerations, as a balance is struck each Budget and the national economy evolves.



EC tax harmonisation proposals actually cut UK duty rates and risk UK health

8. Recent Commission proposals to harmonise tobacco duties would certainly cut the tax burden on cigarettes by about 10 per cent, and reduce the price of a packet of 20 by 12 pence. The effect on minor products like cigars and pipe would be proportionately larger. But these are indeed only **proposals**. Decisions on taxation require unanimity in the Council of Ministers, so UK views cannot be overridden. The tax harmonisation proposals create significant difficulties for the UK, as for most other Member States, and the UK enters discussions on these proposals unconvinced that measures of this sort are necessary to completion of the internal market.

#### **Why lenient tax treatment of pipe tobacco and cigars?**

9. It is true that duty on cigars was last increased in 1984, and on pipe tobacco in 1982. But these are a comparatively minor sector of the tobacco market (duty yield about 4 per cent of the total) and the health risks of these products are generally recognised as less than those for cigarettes. Furthermore, despite the duty freezes, consumption of both these products has fallen, about 23 per cent between 1979 and 1986 for cigars, and 30 per cent for pipe tobacco.

#### **Tobacco duty increase cuts Health Service costs**

10. The BMA arguments on health and the cost to the NHS are well understood.

#### **Tobacco duty increase to pay for extra funds for the Health Service?**

11. That is not the proposition the BMA indicated it wished to meet Treasury Ministers to discuss, and the Health Service and its funding is the subject of a review announced by the Prime Minister last week.



## POINTS TO MAKE

12. The BMA cannot expect detailed comment in advance of the Budget judgement. But if some dialogue is desirable, to demonstrate to them that their representations are being received seriously, you might ask the BMA to comment on Tobacco Advisory Council (TAC) criticism of their proposals, in particular that:

- a) to choose 1947-50 as the base years for real comparisons is to take as a standard of reference conditions of post-war austerity that were quite abnormal, and that the real price of cigarettes is currently higher than in any year from 1952 to 1936,
- b) with the onset of a significant cheap imported cigarette sector, price elasticities since 1984 have changed, and large duty increases no longer significantly reduce total consumption but accelerate a swing from domestic to cheap imported cigarettes, putting UK employment at risk. ~~and~~



## BACKGROUND NOTE

### Smoking in the UK

13. The effects of cigarette smoking on health have been much discussed in the last 25 years, and a voluntary health warning has been printed on cigarette packets since 1971. In 1983 the Royal College of Physicians estimated that at least 90 per cent of deaths from lung cancer, chronic bronchitis and obstructive lung disease are attributable to smoking and that perhaps 20 per cent of deaths due to coronary heart disease are related to smoking. This brings the tally of smoking-related deaths to around 100,000 a year. The Department of Health and Social Security (DHSS) estimate that the overall cost to the National Service in 1984 of smoking-related disease was £370 million, recently revised to £500 million. With increasing recognition of the health hazards, the proportion of adults who smoke cigarettes (whether manufactured or hand-rolled) has been falling since the early 1970s. Among men, the proportion has fallen steadily from 52 per cent in 1972 to 36 per cent in 1984, a decline of almost a third. Cigarette smoking among women also declined between 1972 and 1984 from 42 per cent to 32 per cent, but less steadily. The trade estimates a further fall to 35 per cent for men and 31 per cent for women in 1986. (This brings the number of cigarette smokers in 1984 to 14.6 million (7.6 million men, 7 million women) and perhaps 14.3 million in 1986.) Despite a general pattern of decline, there are striking disparities between social groups: in 1984 only 17 per cent of male professionals smoked, compared with 49 per cent of male unskilled manual workers. There has been some slow-down in the rate of decline in the number of smokers in recent years, perhaps because the less committed smokers have now ceased to smoke, leaving the more convinced smokers in the smoking population.

14. Weekly cigarette consumption for male smokers peaked in 1976 and for female smokers in 1980 (at 129 and 102 cigarettes per smoker respectively). By 1984 these weekly totals had fallen to 115 and 96. Combined with the fall in numbers of smokers, this has led to significant falls in the consumption of cigarettes, down by 23 per cent from 124.3 billion in 1979 to 95.5 billion in 1986. Indeed, over the period 1980-1985, the UK decline, at about 19 per cent, was proportionately the largest in the world, outstripping the Irish Republic (down 16 per cent) the USA (down 11 per cent) Sweden (down 6 per cent) and West Germany (down 5 per cent). By contrast, the large French and Italian markets continued to expand.

15. Cigarettes have been subject to heavy increases in taxation in 1981 (17p extra on a packet of 20), 1984 (10p extra) and 1986 (11p), and in the 1986 Budget the Chancellor drew express attention to the health issue, saying "In the light of the representations I have received on health grounds, I have decided to increase the duty on cigarettes by appreciably more than is needed to keep pace with inflation".



## The BMA Leaflet

### General

16. We have consulted DHSS on the leaflet, and they tell us that as regards health issues, it is generally accurate in its facts, and conservative in its assumptions. The tax changes proposed are large, and forecasting is inevitably more uncertain, but compared with official models, the revenue effects of the proposed changes appear to be significantly under-stated, while the fall in consumption is about right. Detailed comments are as follows.

"The Government would generate more than £750 million in 1988/89 and an additional £1600 million or more for 1989/1992 inclusive"

17. This understates the revenue effects of the proposals, particularly in the long term. We estimate the actual effects as £800 million extra in 1988/89, and an additional £4600 million in 1989/90 to 1991/92.

"The NHS would save around £34 million each year - because of the reduction in tobacco-related illness and disease"

19. On the conventional assumption that a 21 per cent price increase reduced consumption by 10 per cent, and assuming a linear relationship between consumption and smoking-related Health Service costs, now put at £500 million a year, DHSS regard £34 million as a conservative estimate.

"In the long run, the policy would result in saving the lives of 15,000 people each year"

20. The pamphlet assumes a drop in consumption over this Parliament of 19 per cent, based on conventional assumptions about the responsiveness of consumption to price, and a long run drop in tobacco related deaths of 15 per cent in consequence. DHSS tell us that the 100,000 tobacco related deaths estimate was produced a few years ago by the epidemiologists Doll and Peto as the bottom end of a range running to 150,000. It is generally accepted as a conservative one. DHSS support the assertions in the pamphlet, but cannot quantify the "long-run", or cite detailed epidemiological work to support the precise estimate of lives saved.

### Child smoking

21. The child smoking statistics quoted relate to England and Wales, and are accurate. They show a drop between 1984 and 1986 in regular child smoking from 13 per cent to 7 per cent for boys, and from 13 per cent to 12 per cent for girls. The £70 million expenditure figure is conservative, and £90 million is frequently quoted for the UK as a whole. There is respectable econometric evidence to show that teenage smokers are much more sensitive to price than adults (price elasticity of -1.4 from US studies, compared to -0.4 for US adults generally).



### Employment

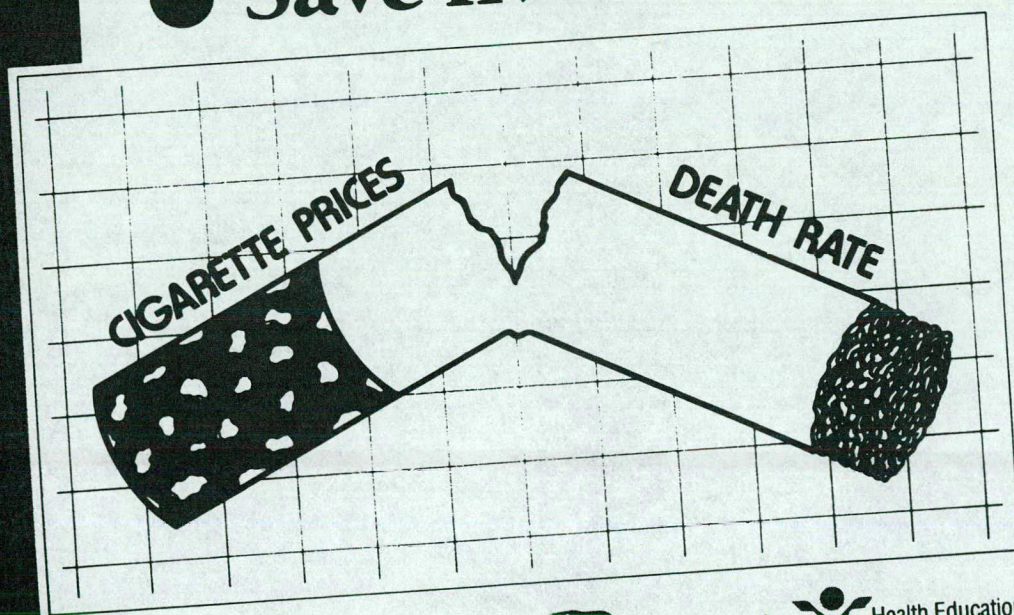
22. Given that direct employment in the tobacco industry only began to fall significantly after 1978, a fairer period of comparison is 1979 to 1986. Over that period, UK production, for home consumption and export combined, fell by about 27 per cent, while employment fell by 48 per cent. So about half the fall in jobs over this period might be ascribed to streamlining and increases in efficiency.

W F McGUIGAN



# Two good reasons for a tobacco pricing policy

- Save money
- Save lives



**Ash** Action on Smoking and Health

 British Medical Association

 Health Education Authority



**A** policy that will bring in revenue, reduce costs to the National Health Service and **save people's lives** sounds too good to be true.

It could come true if the Government, starting with the next Budget, follows a plan which is proposed by **Action on Smoking and Health (ASH)**, the **British Medical Association (BMA)** and the **Health Education Authority (HEA)**.

## The plan is simple

It involves putting up tax on tobacco each year for the lifetime of this Government. The results of such a policy, based on the formula which we suggest, could be startling.

**The Government** would generate more than £750 million in 1988/89, and an additional £1,600 million or more for 1989 to 1992 inclusive.

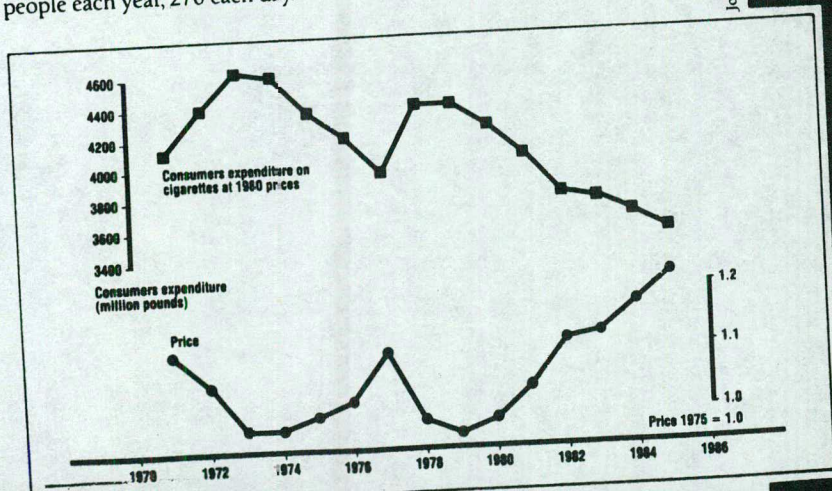
**The NHS** would save around £34 million each year – because of the reduction in tobacco related illness and disease.

In the long run the policy would result in saving the lives of **15,000 people** each year. When the Government changes the price of cigarettes the population changes its behaviour. Most current smokers want to give up – they need an incentive and the Government's own figures show that a rise in the price of cigarettes provides this incentive.

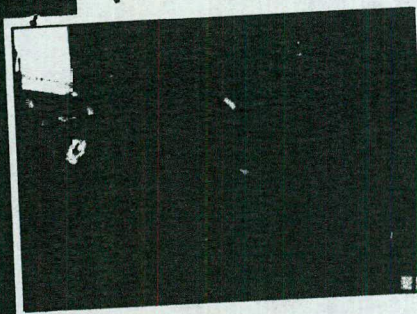
**The advantages of a policy on tobacco tax means that everyone knows where they stand...**

- **The government** – because it can calculate income from tobacco tax on a long-term basis.
- **Tobacco smokers** – they will know that if they don't give up it will cost them more and more each year to maintain their habit.
- **The tobacco industry** – it will know that consumption will go down, can plan accordingly and increase its programme of diversification into other products which do not kill prematurely 100,000 British people each year, 270 each day.

The fact is that when the cost of cigarettes goes **up**, the consumption of cigarettes goes **down**.



Joy Townsend M R C E M C U 1987



Photograph by Peter Buyc

## Children

Everybody is concerned about the numbers of school children who are smoking. School children spend £70 million annually on cigarettes. Despite a drop in the number of boys (OPCS Social Survey: *Smoking among Secondary School Children in 1986*, ISBN 0 11 6912081), **12% of girls under the age of 16 smoke.**

It is clear that the law is being widely flouted and should be strongly enforced. However children who have already acquired the habit of smoking need strong encouragement to stop, and those who haven't started need a deterrent. Law enforcement alone is insufficient to safeguard young people's future health. We must follow a pricing policy which makes it much harder for children to afford to smoke.

## The policy

The real price of cigarettes has been allowed to slip. This should be halted, then reversed.

In the 1988 budget the price of cigarettes should be increased by 21%. This would put the cost of a packet of twenty cigarettes up to £1.80. It would actually put the price of cigarettes on the same level it was in 1948. **Forty years later we are doing less** about keeping cigarettes out of the reach of children than we were when we did not know about the decisive link between smoking and a host of disabling and fatal diseases.

In each year thereafter this price rise should be maintained by raising cigarette tax by around 6% over and above the rate of inflation.

For many people such a tax rise will quite simply save their lives. They want to give up smoking but they find it hard to translate the health education message into action. They say they find a price increase is a big boost to their determination.

Many such smokers are among the least well-off: they tell us they need an economic shove in the right direction and respond by buying fewer cigarettes or stopping smoking altogether. Children are deterred even more than adults by price rises.

## The economic factors

To adopt this proposed pricing policy would mean a drop in cigarette consumption of 19% in this Government's lifetime.

**What would it do to the Chancellor's plans?** Tobacco no longer plays the role it once did in the country's tax gathering efforts and now accounts for only 4% of total Government revenue. (In 1948 it accounted for 16%). The total tax take would rise by £2,350 million in all up to 1993. Eventually it would begin to fall, but by that time improved health would be generating savings in the National Health Service and reduced sick leave would boost the nation's productivity.

**We have taken into account other economic factors.** For a start tobacco tax is levied on imported cigarettes so they too would share the burden of a realistic pricing policy. Secondly a major study in Northern Ireland (*The Economic Consequences of Smoking in Northern Ireland*) shows that when tobacco consumption goes down the money that people save does not stay in their wallets. They buy other goods and services, thus bolstering the economy, helping employment, and manufacturing and service industries profit.



## Employment

The major part of the decline in employment in the tobacco industry is not related to a decline in cigarette sales.

The latest figures show that whereas production in the tobacco industry fell by only 5% from 1973-1984 (*Annual Abstract of Statistics*) employment fell by 33% (*Employment Gazette*). The tobacco industry has followed an intense programme of mechanisation for its plants in this country, shedding jobs in the process. The tobacco industry can increase its policy to diversify into other industries and indeed the major tobacco companies are showing increased profits, much of this due to their other interests. In future this diversification is likely to increase. The tobacco industry recognises that if it does not attract new smokers it will need to speed this programme up.

## Tax and health

There are no longer any arguments about whether cigarette smoking causes death and disease.

In 1986 the Chancellor of the Exchequer said:

“In the light of the representations I have received on health grounds, I have decided to increase the duty on cigarettes by appreciably more than is needed to keep pace with inflation”



Photograph by Universal Pictorial Press

In the 1987 budget tobacco tax did not increase. The country as a whole lost out by that omission. We must not lose out again. It makes economic sense to put tobacco tax up. A sensible pricing policy adopted for a five year period brings in revenue and saves lives. Health education alone cannot counter the effects of a drug which is as addictive as nicotine.

### Smokers need the Chancellor's help.

**Members of Parliament** can help to achieve this sensible policy which saves money and saves lives. Please make representations about it to the Chancellor of the Exchequer while he is still considering options for the 1988 budget. A price rise in that budget and a long-term policy based on the plan ASH, BMA and HEA propose will help your constituents now and in the future.

### Reference sources on cigarette taxation and economics

Goodfrey Christine, Hardman, Geoff and Powell, Melanie. Data Note - 1. Alcohol tobacco and taxation. *British Journal of Addiction* 1986; 81: 143-149

Townsend, Jov L. Cigarette tax, economic welfare and social class patterns of smoking. *Applied Economics*, 1987 (19) 355-365

Townsend, Jov L. Economic and health consequences of reduced smoking. In Williams, Alan (ed.) *Health and Economics*. Macmillan, 1987

The effects of government regulation on teenage smoking. *Journal of Law and Economics* (US 1981) 14(3)

On the State of the Public Health for the Year 1986, available from HMSO, price £9.00. Annual Report of the Government's Chief Medical Officer



C O N F I D E N T I A L



FROM: P D P BARNES  
DATE: / February 1988

PPS

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
Sir P Middleton  
Mr Scholar  
Mr Dyer  
Mr Cropper  
Mr Tyrie  
Mr Call

## LORDS SPOKESMEN AND BUDGET

The Economic Secretary has a remit from Prayers to remind Lord Beaverbrook not to make remarks which might be interpreted as having a bearing on the Budget.

2. The Economic Secretary thinks that it would be better for the letter to be in the form of a general reminder to Government spokesman in the Lords, rather than as a specific reprimand to Lord Beaverbrook. Mr Dyer advises that this would come best in the form of a letter from you to the Private Secretary of the Leader of the House of Lords.

... 3. I attach a possible draft.

a

OK?

AA

OK-

Gunn Weatherhead.

PP

P D P BARNES  
Private Secretary



DRAFT

*Please type in  
signature.*

Mike Eland Esq  
Private Secretary to the  
Rt Hon Lord Belstead MP  
Lord Privy Seal and Leader of the House of Lords  
Privy Council Office  
Whitehall  
LONDON  
SW1A 2AT

February 1988

I am taking this opportunity to remind you that in the months leading up to the Budget no statements by Government spokesmen should be made which might be interpreted as having a bearing on the contents of the Budget. The line to be taken is that all budgetary matters are something for the Chancellor's Budget judgement.

I would be grateful if you could ensure this letter is brought to the attention of all Government spokesmen in the House of Lords.

A C S ALLAN



COPY NO. 16 OF 17. *pmf*

FROM: J M G TAYLOR

DATE: 1 February 1988

MR MACE - Inland Revenue

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Scholar  
Miss Sinclair  
Mr Cropper  
Mr Tyrie  
Mr Call  
  
Mr Battishill - IR  
Mr Isaac - IR  
Mr Lewis - IR  
PS/IR

**REMOVING ALLOWANCES FROM TOP RATE RELIEF**

The Chancellor was most grateful for your minute of 29 January. He agrees that no further work is required on this subject.

*Jf*

J M G TAYLOR





FROM: ECONOMIC SECRETARY

DATE: 1 February 1988

CHANCELLOR

cc Chief Secretary  
 Financial Secretary  
 Paymaster General  
 Sir Peter Middleton  
 Mr Scholar  
 Mr Culpin  
 Miss Sinclair  
 Mr Cropper  
 Mr Tyrie  
 Mr Call  
 PS/Inland Revenue  
 Mr Mace - IR

## REMOVING ALLOWANCES FROM TOP RATE RELIEF

I accept with reluctance but no surprise the Revenue's view (in Mr Mace's submission of 29 January) that my "Gross Income Threshold Wheeze" could not be introduced in this Budget, except as an announced change to be implemented 12 months hence (see paragraph 7). Would even that be impossible? Given that time is so short, I do not want to waste anyone's time on this proposal, attractive though it seems to me, if it cannot be tacked on in this way. It is unfortunate that I did not realise it was possible earlier.

2. However, the non-administrative difficulties raised in Mr Mace's note are easily overcome in principle.

3. The answer to the first difficulty (in paragraph 4) about defining gross income is simple enough. "Gross income" would be defined as income before deducting reliefs and allowances, less any reliefs you don't want to exclude from upper rate. These would be minimal - essentially those items which reflect monies which are not income in the hands of the recipient - eg employees' expenses wholly and necessarily incurred, charitable covenants which are income transferred to a charity.

4. The answer to the second difficulty in paragraph 5 about the discontinuity is also straightforward. The basic rate would



**BUDGET SECRET: TASK FORCE LIST**

apply to the first £25,000 of gross income less allowances. The top rate would apply to all gross income in excess of £25,000. This saves employing the device in paragraph 6 which, as Mr Mace says, evokes memories of the old tax credit proposals which would be unhelpful.

PBL

**PETER LILLEY**





COPY NO. 13 OF 14.

FROM: J M G TAYLOR

DATE: 2 February 1988

PS/ECONOMIC SECRETARY

cc PS/Chief Secretary  
PS/Financial Secretary  
Sir P Middleton  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Cropper  
Mr Tyrie  
Mr Call  
  
PS/IR  
Mr Mace - IR

## REMOVING ALLOWANCES FROM TOP RATE RELIEF

The Chancellor was grateful for the Economic Secretary's minute of 1 February.

2. He has commented that, as I minuted yesterday, no further work on this subject is required, at least in connection with the 1988 Budget. But we can look again at it, post-Budget, as a possible starter for 1989.

A handwritten signature, likely of J M G Taylor, consisting of stylized initials.

J M G TAYLOR





# Inland Revenue

CONFIDENTIAL

Policy Division  
Somerset House

FROM: L E JAUNDOO

DATE: 3 FEBRUARY 1988

CHANCELLOR

## LETTER FROM SIR EMMANUEL KAYE

1. You asked for a note on how the tables in Sir Emmanuel Kaye's letter of 18 January would look on the basis of the current budget proposals (Mr Taylor's note of 1 February).

2. The information is shown in the tables below using examples in which the estate is inherited by a son. The tax burden is given for each country in £000s sterling in descending order.

TABLE 1 - No business property relief

Estate of £1.1m		Estate of £2.2m	
UK	397	Japan	980
Japan	362	USA	881
France	312	UK	837
USA	309	France	750
Belgium	287	Belgium	617
Netherlands	270	Netherlands	567
Italy	164	Italy	447
Germany	128	Germany	304

TABLE 2 - Business property relief in UK (at 30%), Belgium and Italy

Estate of £1.1m (including £1m business)		Estate of £2.2m (including £2m business)	
Japan	362	Japan	980
France	312	USA	881
USA	309	France	750
UK	277	UK	597
Netherlands	270	Netherlands	567
Belgium	245	Belgium	521
Italy	158	Italy	439
Germany	128	Germany	304

cc PS/Financial Secretary  
Miss Sinclair

Mr Pitts  
Mr Jaundoo  
PS/IR

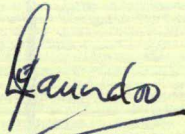


**TABLE 3 - Business property relief in UK (at 50%), Belgium and Italy**Estate of £1.1m (including £1m business)

Japan	362
France	312
USA	309
Netherlands	270
Belgium	245
<b>UK</b>	<b>197</b>
Italy	158
Germany	128

Estate of £2.2m (including £2m business)

Japan	980
USA	881
France	750
Netherlands	567
Belgium	521
Italy	439
<b>UK</b>	<b>437</b>
Germany	304



L E JAUNDOO





cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Scholar  
Mr Dyer  
Mr Cropper  
Mr Tyrie  
Mr Call

*pyr*

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

3 February 1988

M Eland Esq  
Private Secretary to the  
Rt Hon Lord Belstead MP  
Lord Privy Seal and  
Leader of the House of Lords  
Privy Council Office  
Whitehall  
LONDON SW1A 2AT

*Dear Mike*

I am taking this opportunity to remind you that in the months leading up to the Budget no statements by Government spokesmen should be made which might be interpreted as having a bearing on the contents of the Budget. The line to be taken is that all budgetary matters are something for the Chancellor's Budget judgement.

I would be grateful if you could ensure this letter is brought to the attention of all Government spokesmen in the House of Lords.

*Yours  
A C S*

A C S ALLAN  
Principal Private Secretary





CONFIDENTIAL

Inland Revenue

The Board Room  
Somerset House  
London WC2R 1LB

A  
can discuss @ Overview  
on Monday

FROM: A J G ISAAC

3 February 1988

FINANCIAL SECRETARY

BENEFITS IN KIND: CHEAP HOUSING LOANS

1. The Chancellor asked us, at Monday's Overview meeting, to look again at the scope for charging to tax the "benefit" of a cheap or interest-free housing mortgage advance, not exceeding £30,000, given by an employer to his employee. We are not, of course, concerned here with cheap loans falling outside the qualifying conditions for MIR; these already attract an appropriate tax charge.

2. I attach at the Annex a very simple illustration of two cases.

- Case A: the employer makes an interest-free housing mortgage loan to his employee;

cc Chancellor of the Exchequer  
Chief Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Riley  
Mr Cropper  
Mr Tyrie  
Mr Call

Mr Battishill  
Mr Isaac  
Mr Painter  
Mr Lewis  
Mr Beighton  
Miss Rhodes  
Mr Northend  
PS/IR

ISAAC  
BENEFITS  
IN KIND  
CHEAP  
HOUSING  
LOANS  
3/2



- Case B: The employer makes a loan to his employee at full market rates of interest, but pays him a correspondingly higher cash salary. (Exactly the same result would follow if the employer arranges with a building society to make a mortgage advance to his employee on normal market terms, and gives his employee a pay increase sufficient to meet the employee's interest payments to the building society.)

3. The Annex illustrates the three obvious points

- (i) An employee is (of course) better off either if he has an interest-free loan (Case A), or if he gets an equivalent pay increase (Case B), as compared with the employee who gets neither.
- (ii) There is no tax advantage to the employee, as between Case A and Case B. Any tax advantage begins and ends with the fact that all taxpayers have access to mortgage interest relief.
- (iii) By the same token, there is no tax advantage to the employer as between Case A and Case B.

Thus, other things being equal, there is no tax advantage to either employer or employee in providing an interest-free or subsidised mortgage loan, rather than equivalent straight cash (enabling the employee to borrow on normal market terms). By the same token, if the Government imposed a new tax charge on subsidised or interest-free mortgage loans as "benefits in kind", the employer could easily avoid the tax consequences by "cashing out" - and so far as tax is concerned the employee would be no worse off (or better off) than before.

4. There would, of course, be a NIC cost, if the employer "cashed out" by a straightforward salary increase. However, these costs would be no greater (and no less) than the NIC



implications of other benefits in kind. (And there are of course familiar ways of mitigating (via the UEL) or avoiding the NIC charge, if employers choose to take them.)

5. Accepting all this, the Chancellor<sup>^</sup> asked us to consider the possibilities of levying some kind of charge on cheap or interest-free loans from employers. In principle, I can see three main technical options.

(a) Impose a charge to tax as a benefit in kind

6. Technically, this would seem on the face of it to be straightforward. It would amount to saying that interest on mortgage borrowing would not qualify for MIR, if the loan was made or subsidised directly or indirectly by the employer. This would apply where

a. the employer lent at subsidised rates of interest or interest-free.

It might stop there, or go on to include the case where

b. the employer lent at full interest rates and reimbursed the employee (this might be in a "direct" form of passing a cheque back and forth across a desk, or it might just be subsumed indistinguishably in the employee's normal salary arrangements).

It might also need to apply in the common case where

c. the employer arranged for a building society, insurance company or bank to lend at a subsidised interest rate, and the employer reimbursed the lender.

As with all options, however, it could not apply where

d. the financial institution lent at full market rates of interest and the employer reimbursed the employee (this is



indistinguishable from the normal case where any employee pays mortgage interest out of his salary or wages).

The usual rules for benefits in kind would then apply to tax the interest subsidy (but not to collect NIC on it).

7. Ministers would need to decide the answer to two main questions in presenting the rationale of this approach:-

- if it is accepted that neither employer nor employee gains any income tax advantage by providing cheap loans for house purchase, rather than equivalent cash, what are the wider policy or management arguments that justify a deliberately "penal" tax system for employer loans, of a kind that does not apply to other mortgage advances (or other benefits in kind)?
- if it is accepted that employers could easily avoid the income tax charge and reproduce precisely the original tax consequences by "cashing out", what particular mischief is seen in the fact that the employer forgoes interest, (or reimburses interest to the lender) rather than reimburses the employee for the cost of an arm's length loan?

(b) A NIC charge

*v unattractive*

8. Another course might be to impose a NIC charge on the benefit - perhaps by reference to the difference between the rate actually charged and the "official rate". We should need to discuss with DHSS before we could be sure of the practical implications of this. However, we know from previous discussions that there are (so far) unsolved problems in applying NICs to benefits generally; and this must make us cautious. Again, it would be necessary to explain the reasons why it was right to charge NIC on this benefit - many of the same questions would arise on coverage, as in paragraph 6 above - but not on other benefits.



(c) A special charge

9. It was generally agreed that (if only because of the NIC point) it would be possible to subsume a charge on interest-free or subsidised loans in the context of a general fringe benefits tax. However, the Chancellor has decided not to proceed with the FBT. I assume that it is not a cost effective option to introduce FBT for this benefit alone.

10. Another possibility, which we explained to Ministers last autumn, might be to tax employees on a notional amount, exceeding the actual value of the benefit by some more or less arbitrary figure (perhaps related to the NIC lacuna). For reasons from which we do not dissent, Ministers found this complex and generally unattractive. Applied to this benefit alone it looks an awkward and clumsy alternative to paragraph 6.

11. Under the approaches in either paragraph 9 or paragraph 10 above, there would still be the need to explain the reason for singling this out from other benefits.

Summary

12. The approach in paragraph 6 (withdrawing MIR from employer loans and employer-subsidised loans) looks much more likely than the alternatives to be capable of being worked up into a practical starter for the 1988 Budget. It would not address the NIC anomaly directly; but for most taxpayers the amounts involved in tax and NIC will not in practice be all that different (in other words, the amount of tax charge would not be all that bad a proxy<sup>x</sup> for the amount of a NIC charge, if that is the objective.) However, I confess that I still am not clear of its rationale or how it could be presented convincingly.

13. The other three options (paragraphs 8, 9 and 10) do all address the NIC anomaly. But they look very doubtful starters for 1988 (if at all); and by focusing on the NIC point would

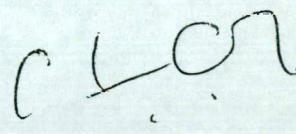
x it's ok, of course, remaining is 'overkill'  
5  
RAC



CONFIDENTIAL

raise the question of why the benefits/NIC anomaly was being tackled only for housing loans.

14. I am at your disposal, if it would be helpful to discuss.

A handwritten signature in dark ink, appearing to read 'A J G ISAAC', with a stylized, cursive-like flourish.

A J G ISAAC



CONFIDENTIAL

Example: £10,000 loan  
Employee liable to 50% tax  
Interest rate of 10%

CASE A

Employer makes interest-free loan

CASE B

Employer gives £1,000 pay increase

Employer lends to employee at full market rate of interest

Cost to employer

Cost of borrowing from bank £1,000

Interest received on loan Nil

Total £1,000

Salary to employee £1,000

£1,000

Cost of loan to employee

Salary increase +£1,000  
less tax at 50% - 500  
Mortgage interest to employer -£1,000  
less tax relief + 500

NIL

NIL

Note: In Case B there will be additional employer's NIC, and possibly additional employee's NIC also.



CONFIDENTIAL

FROM: MISS C EVANS  
DATE: 4 FEBRUARY 1988

MR A C S ALLAN

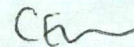
cc

Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Mr Anson  
Mr Scholar  
Mr Odling-Smee  
Mr Culpin  
Mr Peretz  
Mr Sedgwick  
Mr Turnbull  
Mr Pickford  
Mr S Davies  
Mr Hibberd  
Miss Sinclair  
Mrs Butler  
Mr Mowl

Mr Riley  
Mr R I G Allen  
Mr Bottrill  
Mr Hudson  
Miss Simpson  
Mr Dyer  
Mr Allum  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Rawlins  
Mr Dight  
Mrs Thorpe  
Mr Cavanagh - CSO  
Mrs Burnhams  
Mrs Crane  
PS/IR  
Mr Calder - IR  
Mr McManus - IR  
PS/C&E  
Miss French - C&E

**1988 BUDGET TIMETABLE**

... I attach the timetable.



MISS C EVANS



Monday 8 February		Overview 4	
----------------------	--	------------	--

Tuesday 9 February	ECOFIN	Draft paper for economic Cabinet to Chancellor	PSBR (internal)
-----------------------	--------	---	-----------------

Wednesday 10 February			RPI (internal)
--------------------------	--	--	----------------

Thursday 11 February	1st Order		BEQB
-------------------------	-----------	--	------

Friday 12 February		First Budget statement outline to Chancellor	RPI published
-----------------------	--	---	---------------



Week -4

CX DIARY & PARLIAMENT

FSBR & BUDGET

EXTERNAL EVENTS

Monday  
15 February

Overview 5  
Chancellor comments on Budget  
statement outline  
Paper for economic Cabinet circulated

Tuesday  
16 February

Briefing for economic Cabinet  
to Chancellor  
First draft of MTFS (early sections)  
to Chancellor

PSBR published

Wednesday  
17 February

Thursday  
18 February

Economic Cabinet  
Chancellor's meeting on MTFS draft  
(and target ranges)  
First draft of Chapter 3 to Chancellor  
Submission on 1987-88 and 1988-89  
PSBR to Chancellor

Provisional money published  
unemployment figures

Friday  
19 February

Chancellor's meeting on PSBR  
Scorecard to Bank  
First draft of Budget statement to Chancellor



## Week -3

## CX DIARY &amp; PARLIAMENT

## FSBR &amp; BUDGET

## EXTERNAL EVENTS

Monday

22 February

Overview 6  
Chancellor's meeting on Chapter 3  
Chapter 4 to Chancellor

CBI monthly trends

Tuesday

23 February

Chancellor's meeting on Budget  
broadcast  
Chancellor comments on Chapter 4 by noon  
Chapter 2 to Chancellor

GDP(O) (Q4 prelim)

Wednesday

24 February

Chancellor comments on Chapter 2 by noon  
Submission to Chancellor on revised  
MTFS assumptions  
Chapters 5, 6 to Chancellor  
2nd draft of Chapter 4 to  
Chancellor (if necessary)

Thursday

25 February

Chancellor comments on Chapters 5, 6 by 10am  
Second draft of Chapters 5, 6 to  
Chancellor (if necessary)  
Chapter 1 to Chancellor  
2nd draft of Chapter 3 to Chancellor

Friday

26 February

Revised draft of MTFS to  
Chancellor and Bank  
Second draft of Budget statement  
to Chancellor  
Chapters 5 & 6 to printer

Full money (internal)

Saturday/Sunday

27-28 February

Chancellor works on Budget statement



Monday 29 February	Overview 7 Submission to Chancellor on post-Budget fiscal projections Chancellor's office circulate revised Budget statement Chapter 4 to printer	Balance of payments (Jan) Full money published
-----------------------	--	---

Tuesday 1 March	Chapter 3 to printer	
--------------------	----------------------	--

Wednesday 2 March	Chancellor's meeting with HMT and separately Bank on MTFS Chapters 1, 2 to printer 1st proof of Chapters 4, 5, 6 from printer & to Chancellor	Reserves published
----------------------	---	--------------------

Thursday 3 March	Chancellor comments on Chapters 4, 5, 6 proofs by noon	
---------------------	---	--

Friday 4 March	1st proof of Chapters 1, 2, 3 from printer & to Chancellor Revised Budget statement to Chancellor	1987 Balance of Payments (internal)
-------------------	---	-------------------------------------

Saturday/Sunday 5-6 March	Char.ccellor works on Budget statement	
------------------------------	--	--



Monday  
7 March

ECOFIN

Chancellor comments on Chapters  
1, 2, 3 by noon  
Chancellor's office circulate  
revised version of Budget Statement  
Chapters 4, 5, 6 proofs returned to printers

Tuesday  
8 March

Chapters 1, 2 proofs returned to printers  
Draft EPR supplement to Chancellor  
Draft notes for Queen & overseas  
posts to Chancellor

Wednesday  
9 March

Chancellor comments on EPR,  
notes for Queen & posts  
Submission on list and presentation  
of press notices to Chancellor  
Chapter 3 proof returned to printers  
Submission on 1988-89 PSBR to Chancellor

PSBR internal  
1987 GDP 1st estimate - internal

Thursday  
10 March

1st Order

EPR supplement to printer  
Chapters 4, 5, 6 Book proofs returned  
from printer by noon

1987 Balance of Payments published

Friday  
11 March

✓ Final draft of Budget statement  
to Chancellor  
✓ EPR proof to Chancellor  
Copy of Budget statement to PM  
✓ Telegram for overseas posts: final  
draft to Chancellor  
✓ Note for Queen: final draft to Chancellor  
Final version of Budget broadcast to Chancellor  
Chapters 1, 2, 3 Book proofs returned  
from printer by noon

Saturday  
12 March

Chancellor comments on EPR proof  
am FSBR checked in HMT  
by noon FSBR & EPR proofs to printer  
Chancellor finalises Budget statement



Week 0

CX DIARY & PARLIAMENT

FSBR & BUDGET

EXTERNAL EVENTS

Monday  
14 March

Audience with Queen

✓ Budget speech copied  
✓ FSBR read at press

Tuesday  
15 March

Budget Day

✓ FSBR published

Wednesday  
16 March

Budget debate

PSBR published

Thursday  
17 March

Budget debate

Unemployment figures published

Friday  
18 March





FROM: A A DIGHT

DATE: 5 February 1988

MR A C S ALLAN  
MR TAYLOR  
MISS WALLACE  
MR HUDSON  
MRS THORPE  
MR TAYLOR  
MR LYONS  
MISS MURPHY  
MRS SPRAGG  
MISS RUTTER  
MS EVEREST PHILLIPS  
MR HEYWOOD  
MISS FEEST  
MR BARNES  
MR WESTHEAD  
MR JUDGE  
MRS CHADWICK  
MR SARGENT  
MR MONCK  
MR LANKESTER  
MR CULPIN  
MR TURNBULL  
MR ODLING-SMEE  
MISS C EVANS  
MRS BURNHAMS  
MR MICHIE  
MR K SEDGWICK  
MR PICKFORD  
MISS SIMPSON  
MS L HOOSON  
MR R I G ALLEN  
MR BUSH

MR GUNTON  
MR FLITTON  
MR R EVANS  
MISS E EDWARDS  
MR P EDWARDS  
MR DYER  
MR R SAVAGE  
MR T DAVIES  
MR D SAVAGE  
MR C KNIGHT  
MR PORTEOUS  
MR RAWLINGS  
MR M RALPH  
MISS TITMUSS  
MR CROPPER  
MR TYRIE  
MR CALL  
  
MR N FORMAN MP H/C  
PS/INLAND REVENUE  
PS/CUSTOMS AND EXCISE

**1988 BUDGET AIDE MEMOIRE**

... I attach this year's Aide Memoire. Many thanks to those who contributed to it.

A A DIGHT



## 1988 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
JT	Jonathan Taylor	(4519)
MW	Moirra Wallace	(5004)
AH	Andrew Hudson	(5021)
JTH	Julie Thorpe	(5011)
AD	Anthony Dight	(5012)
PT	Paul Taylor	(5014)
TL	Tony Lyons	(5013)
SM	Sarah Murphy	(5015)
PS	Pat Spragg	(5167)
RC	Robert Culpin	(4419)
CE	Carys Evans	(5170)
TB	Teresa Burnhams	(5179)
KS	Kevin Sedgwick	(5169)
SP	Steven Pickford	(4549)
JS	Judith Simpson	(5211)
LH	Lourie Hooson	(5208)
RA	Richard Allen	(4420)
HB	Harry Bush	(5252)
MG	Michael Gunton	(5187)
JF	John Flitton	(5188)
RE	Richard Evans	(5245)
EE	Eleanor Edwards	(5251)
PE	Peter Edwards	(5248)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
DS	David Savage	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
BD	Brian Dyer	(4520)
RS	Richard Savage	(5006)
TJD	Tony Davies	(5163)



ACTIONPreparation in weeks before the Budget

- |      |   |                 |
|------|---|-----------------|
| (1)  | Arrange audience of The Queen with her Private Secretary<br>Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc).  | JTH/MW<br>TB/AA |
| (2)  | Check with Speaker on allocation of guest seats available.  | JTH/MW          |
| (3)  | Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East).                   | JTH/MW          |
| (4)  | Arrange for sufficient 1075 machines, stocks of paper <u>and a mechanic on call</u> to be available from Saturday before Budget Day.  | AD/RR           |
| (5)  | Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC.  | RA/JF           |
| (6)  | Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 12/13 March and on Budget Day. (For IDT as well).<br>Check with EOG (David Lodge) for overnight accomodation to be provided. | AD              |
| (7)  | Submit publicity arrangements to Chancellor.  | RA              |
| (8)  | Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom, Reuters, AP Dow Jones, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 92).   | AD/JF           |
| (9)  | Arrangements for laying of White Papers, etc.   | BD              |
| (10) | Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.)                         | MW              |

16 Sitting Days before Budget Day

- |      |  |                 |
|------|--|-----------------|
| (11) | Contact Mr Forman to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning <u>Tuesday, 23 February</u> . | BD/Nigel Forman |
|------|--|-----------------|

Two weeks before Budget Day

- |      |  |       |
|------|--|-------|
| (12) | Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. | AA/RA |
|------|--|-------|



- (13) MG to organise arrangements for Budget Box photograph. MG  
Budget box to be collected from Office Services.
- (14) Draft of T.V. Broadcast to be produced and circulated for MG/PE/AH  
comment.
- (15) TB co-ordinate along with PE, BD and MW, letter to Departments SP/TB/PE/MW/BD  
and Departments' Chief Press Officers (PE to provide names of  
Chief Press Officers) "about detailed arrangements for production  
of Press Notices and clearance of post Budget Statements"  
including number required (see Annexes). TB send similar note to  
Treasury Divisions and Revenue Departments. Letter to give  
deadline for arrival of PN's (midday Friday 11 March). EB to get  
advance copies of PN's. (TB to confirm number of PNs expected  
per Department).
- (Inland Revenue PN's to arrive no later than 10.00am  
on Sunday 13 March)**
- (16) Prepare addressed envelopes or labels for those listed below under Chancellor's  
Items 18,90,97,98,102,104,120,121,122. Office

**Week before Budget**

- (17) Budget Box photograph at HMT. (Get a firm date). MG
- (18) Make arrangements for those entitled to collect copies of Speech, AD  
Snapshot, FSBR, Resolution, CST Summary & Guide, EPR  
Supplement, Press Notices and other Command papers from  
Enquiry Room after the Chancellor has sat down\* viz:
- \* (ensuring that the Press are kept separate from Diplomats, CBI  
etc).

- |                       |  |
|-----------------------|--|
| (a) NEDO (211 3000)   | )Each to have 3 (CBI to receive 4)                     |
| CBI (379 7400)        | copies of Speech, <i>CST Summary &amp; Guide,</i>      |
| TUC (636 4030)        | )Snapshot, FSBR, <i>Command Papers, EPR Supplement</i> |
| NICG (235 2020)       | and  |
| Conservative Research | )any Press Notices + 1 Resolution                      |
| Dept (222 9000)       | for CBI  |

NB. CBI package to be given to Mr Monck along with his own  
advance package (Mr Wynn Owen to assist in liasing with CBI for  
collection of package).

- (b) TL to arrange with IF2 Division (DS) to collect for issue after TL/DS  
Budget Speech sets of 1 copy of each of the above documents to  
Australian and New Zealand High Commissions, EEC Diplomatic  
Missions, US Embassy, Canadian High Commission and Japanese  
Embassy (22 sets in all). Check with IDT/IF2 whether any other  
Embassies have requested Budget Docs, and alter no's required  
accordingly. IF2 prepare envelopes.
- (c) RR to arrange shuttle flight for messenger to take package(s) RR  
to Scotland.



- (19) TB confirm with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of copies of Resolutions, Command Papers and any Press Notices to be delivered to AD and RR in CRU as appropriate (see Annex) by midday on Friday 11 March at the latest. TB to arrange for correct number of copies of FSBR to be delivered by 10.00 a.m. on Tuesday 15 March. TB
- (20) Check with FP/GE & MW precisely which documents will be in Budget package (eg. any Command Papers), and let RR know. AD/RR
- (21) AD to check despatch arrangements with Foreign Office (May Gibson 210-6128) for guidance telegram to overseas posts on Budget Day. AD
- (22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RR
- (23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BD
- Tuesday 8 March
- (24) First draft and structure of Backbenchers' Brief cleared with officials, including EB and FP. PC/EB/FP
- Wednesday 9 March
- (25) EB to provide draft of key briefs to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EB
- (26) FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. FP
- Thursday 10 March
- (27) Inform IDT of likely length of Speech. AA/RA
- (28) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) JF
- (29) EPR Supplement to printer EE/PE
- (30) EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary. AA/EB
- (31) Draft of Backbenchers' Brief to Chancellor. PC
- (32) FSBR book proofs for chapters 4,5, and 6 to Chancellor. CE
- Friday 11 March
- (33) FSBR book proofs for chapters 1,2, and 3 to Chancellor. CE
- (34) Work as necessary to produce final version of speech. AA



- |      |  |                 |
|------|--|-----------------|
| (35) | Send copy of latest draft of Speech to PM if Chancellor wishes.  | AA              |
| (36) | RE to submit draft Snapshot to Chancellor's Office having cleared with FP and EB (to be shown to Chancellor).  | CE/EB/RE        |
| (37) | Finalise arrangements with BBC for TV Broadcast.   | JF              |
| (38) | Final version of summary for The Queen and overseas posts submitted to Chancellor.   | RC              |
| (39) | EPR proof to Chancellor  | RA              |
| (40) | Submit final draft of TV broadcast if available.<br>Chancellor's Budget Broadcast meeting. (If necessary).   | AH              |
| (41) | Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex.  | AD/AA           |
| (42) | Check arrangements for despatch of overseas copies of speech etc. with the FCO. (see item 122).  | AD              |
| (43) | Chancellor's comments on backbenchers' Brief to Special Advisers.  | AA/PC           |
| (44) | Check catering and sleeping arrangements for Chancellor's office for 11 and 14 March.  | AD/RR           |
| (45) | JTH to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers. | JTH/BD          |
| (46) | JTH to co-ordinate Chancellor's meeting with the Backbench Finance Committee   | JTH             |
| (47) | Check arrival of press notices against numbers expected (see Annex). Issue required numbers to AD and Committee Section in accordance with list in Annex.                            | Comm Section/AD |

SATURDAY-MONDAY

Saturday 12 March/Sunday 13 March

- |      |  |        |
|------|--|--------|
| (48) | Collation of Press Notices by Committee Section and volunteers (NB 1150 collated sets of the Budget Snapshot, the EPR Supplement and related Treasury and other Departmental PNs are required by Parliamentary Section). | BP/RR  |
| (49) | Chancellor comments on FSBR book proofs. Proofs returned to printer by <u>NOON</u> .   | CE     |
| (50) | Chancellor: photo-call.  | MG     |
| (51) | Type Snapshot on A4 paper.   | IDT/EB |



- |      |   |                |
|------|---|----------------|
| (52) | EPR proof to printer (with Chancellor's comments), by Noon.                   | EE/PE          |
| (53) | Press Officers in office on Sunday morning to read available Budget material. | Press Officers |
| (54) | Mr Cropper has Backbenchers' Brief checked for factual accuracy by EB.        | PC/EB          |
| (55) | Send speaking copy and spare to Chancellor.                                   | AD             |

**Monday 14 March**

- |      |   |                        |
|------|---|------------------------|
| (56) | 8.00 a.m. CE sign off final FSBK proof.<br>IDT sign off EPR proof   | CE<br>EE               |
| (57) | Collect Budget Box from IDT.  | AD/PE                  |
| (58) | See item 81 - phone C&E, IR, B of E.  | TL                     |
| (59) | MW to confirm with Tony Davies that he will be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat, and to thereafter go to Chancellor's PPS's room to guard over copies (see item 104) while Budget Speech is in progress. | TJD/MW                 |
| (60) | Chancellor's Office to receive from EB 2 copies of near-final draft of Brief during course of day.  | LH                     |
| (61) | Mr Evans gives Chancellor's Office 2 copies of near-final draft of Snapshot during course of day.   | RE                     |
| (62) | Confirm likely length of speech with IDT to guide radio/TV.   | AA/RA                  |
| (63) | By 12.00 noon: Receive <u>FINAL</u> comments on speech. Start amending speech as necessary.   | AA/PS                  |
| (64) | Check any corrections section by section.   | Chancellor's<br>Office |
| (65) | Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. <u>Text must be finalised.</u>  | AA/PS                  |
| (66) | Final check of Backbenchers' Brief by EB.   | PC/EB                  |
| (67) | Produce index for speech.   | Chancellor's<br>Office |
| (68) | Chancellor due at Buckingham Palace, 6.00 p.m. to be confirmed.   | JTH                    |
| (69) | Chancellor's Office receive Snapshot from RE for checking.  | RE                     |
| (70) | Check that CST Summary and Guide, Resolutions and EPR Supplement have arrived in Chancellor's Office. (C Knight)  | AD                     |
| (71) | Advisers re-submit Backbenchers' Brief to Chancellor for final approval.  | PC/AA                  |
| (72) | Final check of Snapshot before collating.   | RE/SP                  |



- (73) CRU roll off 170 copies of Budget Brief. CT
- (74) Photocopy 34 copies of final text section by section for Chancellor's Office
- Chancellor
  - Prime Minister
  - Other Treasury Ministers (4) See Annex
  - Officials and Advisers (20) <sup>2</sup>
  - Private Secretaries (6, including AH)
  - 2 copies for CH/EX's office
- (75) CX's office rolls off 99 copies of speaking copy, 75 copies section by section and 13 unstapled sets. CRU rolls off 1700 copies of snapshot. Chancellor's Office/CRU
- (76) As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech. PC/CT

#### BUDGET DAY: 15 March

- (77) 0845: Chancellor (+ family) photocall in St James' Park MG
- (78) Tabling of Budget Resolutions by Parliamentary Counsel. FP
- (79) As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief may not be ready until very late). AD
- (80) Order taxis to take AH & TL with speech sections to House at 3.00 pm. TL
- (81) 10.00 am: TB to check that FSBR has arrived. TB
- (82) 10.00 am: JF to supervise BBC team at No.11 for TV Broadcast JF
- (83) 10.30 a.m.: Budget Cabinet (time to be confirmed). JTH
- (84) RE to "mark up" (sideline) final version of speech HB/RE
- (85) EB to double-check headlined version of the speech. EB
- (86) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 500 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 90 and 93). From Private Office production of Speech send one copy by hand to SP EB Room 97/2) as soon as possible. Copy to be marked up for PA. When master copy of "marked up" speech is returned to the private office, 13 unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, AP Dow Jones and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. CT/TL/SP
- (87) By 11.00 am six copies of speech (run off by AD), FSBR, <sup>Snapshot, C&T summary & Guide,</sup> Command Paper(s), Press Notices, EPR to give to KS (as decided at item 19c) to take to Scotland. (See Item 115) AD/KS



- (88) By 11.00 am RE to give KS a copy of the Snapshot. KS then takes 5 copies. RE
- (89) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. MW
- (90) Prepare packages as follows: Chancellor's Office
- (a) Press Gallery (..... to collect)
- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.
  - 1 copy of Snapshot, with each final section (ie 30 snapshots)
- (b) P.A. Gallery (..... to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- (c) ITN, Wells Street (..... to collect)
- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes, each containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSB, Command papers and all press notices addressed to:-
    1. Sue Tinson, ITN Budget Programme
    2. Economics Editor, Channel 4.(NB: These envelopes to be handed over at the end of Chancellor's speech)
- (d) BBC, TV White City (..... to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 separate envelopes, containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSB, Command Papers and Press Notices, addressed to:-
    1. Producer, BBC Budget Programme
    2. James Long: BBC Economics Editor.(NB: These envelopes to be handed over at the end of Chancellor's speech).
- (e) BBC Radio, Broadcasting House (..... to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section



- 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution\*
- 2 envelopes each containing a copy of the Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and all press notices addressed to:-

1. BBC Economics Correspondent

2. Producer, PM Budget Special

NB: These envelopes to be handed over at end of Chancellor's speech

(f) Independent Radio News (..... to collect)

- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section
- 1 unstapled speech with sidelines and headlines for page-by-page distribution\*
- 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,  
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech

(g) Reuters Newsroom (..... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution \*
- 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices addressed to Mr David Keefe, Reuters.

NB: This envelope only to be handed over at the end of the Chancellor's speech.

(h) AP Dow Jones (..... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution \*
- 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices to Mr Gittler

NB. This envelope only to be handed over at the end of the Chancellor's Speech.

(i) P.A. Newsroom (..... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. \*



(j) F.T. Newsroom (..... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
- 2 envelopes containing a copy of the Speech, Snapshot, FSBR, EPR Supplement, and all Press Notices addressed to:

Mr David Walker  
News Editor, Financial Times

NB: This envelope only to be handed over at the end of the Chancellor's speech.

(k) Oracle (.....to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary & Guide, EPR Supplement, and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.

(l) Ceefax (.....to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: David Wilson, Manager Teletext.

---

\* 13 'marked-up' copies of Speech (unstapled) are to be provided by SM by 2.30 p.m.

SM

---

(91) Check arrival in Chancellor's Office of 65 copies of Resolutions from Parliamentary Counsel's Office, 150 copies of FSBR from HMSO via FP, 136 copies of CST Summary & Guide (from C~~R~~Night GEP) and 20 Briefs (From EB - first 4 to AA, JT, AH and MW).

AD/TB/LH

(92) Issue 150 copies of FSBR, 136 copies of CST Summary & Guide, 65 copies of Resolutions and 5 (as soon as available) copies of Brief from SK, to AD for distribution as in Annex. (Other 4 Briefs to AA, JT, AH and MW).

LH/AD



- (93) Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are not provided by Chancellor's Office):-

RR/PE

105 copies of Speech and 130 copies of Snapshot 70 copies each of FSB, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons

10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

- (94) Start collation of full text of Speech with index and checklist.

Chancellor's Clerks  
and Typists

- (95) Before 12.00: MW gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last.

MW/BD

- (96) Parliamentary Section to be given 6 copies of FSB by TB for laying before Parliament.

TB/BD

- (97) By 12.30 p.m.: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSB, Resolutions, Command Papers, CST Summary & Guide, EPR Supplement, Snapshot + Press notices to:-

Chancellor's  
Clerks

Prime Minister\* (Budget Brief (6))

Chief Secretary (2xFSB) + Budget Brief

Financial Secretary (2xFSB) + Budget Brief

Paymaster General (2xFSB) + Budget Brief

Economic Secretary (2xFSB) + Budget Brief

Officials, etc. (See Annex for list)

(NB. Sir T Burns, and Mr C W Kelly receive 2 copies each of the FSB, Sir P Middleton and Mr Cropper receive 3 copies each of FSB)

BP to  
provide extra  
messenger to  
report to AD  
by 2.15 pm

Speaker (via Mr Dyer)

Chief Whip (via Mr Dyer)

1 Set of above to Northern Ireland Office.

AD to seek authorisation from AA to issue packages to other Ministers and Officials.

BD

AA/AD

- \* No.10 receive 6 copies of the FSB and Budget Brief and 10 sets of Press Notices.

- (98) BY 12.30 p.m.: SECRET envelopes containing Speech, Resolutions, CST Summary & Guide, Snapshot, EPR Supplement, FSB, Press Notices + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)



AD

- HB

LH

- RR/PE

- in pre-addressed envelopes (provided by PE) for Press and other callers to collect

- AD

- AH/AD/RS

Mr T Garel-Jones MP (1 copy of speech only) for HM the Queen

AD/AA

- AA/AD



Budget Day: After lunch

- (104) Envelope copies of Speeches and FSB~~R~~ for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down. AD/Chancellor's Office
- (105) At 2.30 pm: Volunteers collect packages from Chancellor's office for page by page release (see item 90).
- (106) TL to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. TL to remain in Hansard Office until Ch/Ex sits down. TL
- (107) Chancellor + Mrs Lawson photocall outside No.11 before going to House. MG
- (108) At 3pm, Peter Edwards and Janiss Daly assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the Snapshot and 70 each of FSB~~R~~, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with Janiss Daly. RR/PE
- (109) Ensure all officials covering the Official Box have copies of the brief. LH
- IDT to collect packages (see item 100) from Committee Section PE
- (110) During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill: IDT
- (a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech. JF
- (b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP Dow Jones, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.
- (c) There will be monitoring of BBC and ITN Broadcasts in IDT by officials and Press Officers.
- (111) Delivery of Snapshot, Treasury Press Notices, EPR Supplement, and other Departments' Press Notices to Vote and Printed Paper Offices RS
- (112) Laying of FSB~~R~~, Chief Secretary's, Summary & Guide, and Main Estimates. 1988-89. RS



- (113) During Speech: Note changes from typed version. AH
- At end of Speech
- (114) Set to go to Leader or Deputy Leader of the House of Lords (see Item 102). AH
- (115) TB to phone KS in Scotland to authorise release of documents. TB
- (116) Despatch by hand copies of Speech to other members of Cabinet (see Item 104). AD
- (117) Release copies of Speech and FSBR for Cabinet Ministers, (see item 104), Press (see item 118) and NICG envelopes (see item 18) for NEDO, CBI (via Mr Monck), TUC, and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 18(b) to IF2 Division. TL/TD
- (118) Check Hansard. AH
- (119) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RA) MW/RA
- (120) Send copies as follows:- TL
- |   | <u>CST<br/>Summary<br/>Guide</u> | <u>Speech<br/>and<br/>Brief</u> | <u>Snapshot<br/>Resolution,<br/>Press Notices</u> | <u>FSBR</u> | <u>Cmd<br/>Papers</u> | <u>EPR<br/>Supplement</u> |
|---|----------------------------------|---------------------------------|---|-------------|-----------------------|---------------------------|
| Mr F Cassell<br>British Embassy<br>Washington | 3                                | 1                               | 3   | 3           | 3                     | 3                         |
| Mr D Bostock<br>UKREP Brussels                | 3                                | 1                               | 3   | 4           | 4                     | 3                         |
- Send 1 copy of each of above papers to:  
Director of British Information Services, NY
- Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag  
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville,  
75775, Paris, Cedex, France (1 copy of brief only).
- (121) Give 8 copies of Speech, Snapshot, FSBR, CST Summary & Guide, Government Papers, EPR Supplement, and any Press Notices to RS for depositing in the Libraries of the House of Commons and House of Lords. AD/RS  
AD to give 2 copies of Resolutions to RS for Butterworths Law Publishers. AD/RS
- (122) Provide two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s), all Press Notices to Table Office. BD
- CST summary & Guide, EPR Supplement,*



RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
NIC G		1		1		1	1	1	1	1	
NEDO		3		3		3	3	3	3	3	
TUC		3		3		3	3	3	3	3	
CBI		4		4	1	4	4	4	4	4	
CONSERVATIVE RESEARCH DEPARTMENT		1		1		1	1	1	1	1	
DIPLOMATIC MISSIONS		22		22		22	22	22	22	22	
TCSC		5		5		5	5	5	5	5	
SCOTLAND		6		6		6	6	6	6	6	
PRESS GALLERY			30	30							
ITN	2	2	16	2		2	2	2	2	2	
BBC TV	2	2	11	2		2	2	2	2	2	
BBC RADIO	1	2	11	2		2	2	2	2	2	
IRN	1	1	5	1		1	1	1	1	1	
REUTERS	1	1	—	1	—	1	1	1	1	1	
AP DOW JONES	1	1	—	1	—	1	1	1	1	1	
PA	1	—	—	—	—	—	—	—	—	—	—
PA (GALLERY)	1	—	—	—	—	—	—	—	—	—	—
FT	1	2		2		2		2	2	2	
ORACLE	1	1	1	1		1	1	1	1	1	
CEEFAX	1	1	1	1		1	1	1	1	1	
* PARLIAMENTARY SECTION											
PRIME MINISTER (+N°10)	—	6	—	6	6	6	6	10	10	6	6
HMT MINISTERS (4)		4	—	4	4	8	4	4	4	4	4
SPEAKER	—	1	—	1	1	1	1	1	1	1	—
CHIEF WHIP	—	1	—	1	1	1	1	1	1	1	—
HMT OFFICIALS (22)	—	22	—	22	22	272 <del>27</del>	22	22	22	22	—
N.IRELAND OFFICE	—	1	—	1	1	1	1	1	1	1	—
MR BATTISHILL I/R	—	1	—	1	1	1	1	1	1	1	—
MR UNWIN C&E	—	1	—	1	1	1	1	1	1	1	—



RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
CUSTOMS & EXCISE (6)	—	6	—	6	6	6	6	6	6	6	—
INLAND REVENUE (6)	—	6	—	6	6	6	6	6	6	6	—
BANK OF ENGLAND (6)	—	6	—	6	6	6	6	6	6	6	—
* IDT (PRESS + CALLERS)	—	—	—	—	—	—	—	—	—	—	—
RT HON T HIGGINS MP	—	1	—	—	—	1	1	—	—	—	—
CX, AA, JT, AH, + MW (5)	—	5	—	5	5	5	5	5	5	5	5
LEADER, HOUSE OF COMMONS	—	1	—	—	—	1	1	—	—	—	—
LEADER, HOUSE OF LORDS	—	1	—	—	—	1	1	—	—	—	—
LEADER OF THE OPPOSITION	—	1	—	—	—	1	1	—	—	—	—
SHADOW CHANCELLOR	—	1	—	—	—	1	1	—	—	—	—
MR N FORMAN MP	—	1	—	—	—	1	1	—	—	—	—
MR CHRISTOPHER (IRSF)	—	1	—	1	—	1	1	—	—	—	—
SIR W CLARK MP	—	1	—	—	—	1	1	—	—	—	—
MR R SHELDON MP	—	1	—	—	—	1	1	—	—	—	—
THE HON M LENNOX BOYD MP	—	1	—	—	—	1	1	—	—	—	—
MR T GAREL-JONES MP	—	1	—	—	—	—	—	—	—	—	—
* CABINET (EXCL PM, CX, CST, LPC, LPS)	—	—	—	—	—	—	—	—	—	—	—
HANGARD	—	1	—	—	—	—	—	—	—	—	—
VOTE & PRINTED PAPER OFFICE	—	—	—	1150	—	—	—	1150	1150	1150	—
TABLE OFFICE	—	2	—	2	2	2	2	2	2	2	—
MR CASSELL (WASHINGTON)	—	1	—	3	3	3	3	3	3	3	—
MR BOSTOCK (BRUSSELS)	—	1	—	3	3	4	3	3	3	3	—
DIRECTOR BIS (NEW YORK)	—	1	—	1	1	1	1	1	1	1	—
BRITISH EMBASSY (PARIS)	—	1	—	1	1	1	1	1	1	1	—
UKDEL. OECD	—	1	—	1	1	1	1	1	1	1	—
H/C LIBRARY	—	4	—	4	—	4	4	4	4	4	—
H/L LIBRARY	—	4	—	4	—	4	4	4	4	4	—
BUTTERWORTHS	—	—	—	1	2	—	1	—	—	—	—



[illegible]



[illegible]



Sir P Middleton 3xFSBR Sir T Burns 2xFSBR Mr J Anson  
 Sir G Littler Sir T Burns Dame Anne Mueller Mr Scholar  
 Mr Lankester Mr I Byatt Mr Monck Sir A Wilson  
 Mr Kemp Mr Culpin Miss Peirson Mr R I G Allen  
 Mr Pickford Mr C Kelly 2xFSBR Miss C Evans  
 Mr Cropper 3xFSBR Mr Tyrie Mr Call Mr Odling-Smee

## RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

### RECIPIENT

SCOTLAND  
 PRIME MINISTER (+NO.10)  
 CX, AA, JT, AH, MW  
 HMT MINISTERS  
 HMT OFFICIALS  
 N. IRELAND OFFICE  
 MR A BATTIGHILL I/R  
 MR B UNWIN C&E  
 INLAND REVENUE  
 CUSTOMS & EXCISE  
 BANK OF ENGLAND  
 SPEAKER  
 CHIEF WHIP  
 BRIAN DYER (FOR PS/SPEAKER)  
 PRESS GALLERY  
 PA GALLERY  
 ITN  
 (SUE TINSON  
 ITN BUDGET PROGRAMME)  
 (ECONOMICS EDITOR  
 CHANNEL 4)  
 BBC TV  
 (PRODUCER  
 BBC BUDGET PROGRAMME)  
 (JAMES LONG  
 BBC ECONOMICS EDITOR)  
 BBC RADIO  
 (BBC ECONOMICS  
 CORRESPONDENT)

- TO K GEDGWICK BY 11.00AM

- BY 12.30PM (AA TO AUTHORISE RELEASE)

- BY 12.30PM (VIA BRIAN DYER)

TO BE COLLECTED FROM THE CHANCELLOR'S  
 OFFICE AT 2.30PM FOR PAGE BY PAGE  
 DISTRIBUTION AS CHANCELLOR SPEAKS  
 PACK B's TO BE HANDED OVER AT  
END OF SPEECH



# RECIPIENT

PRODUCER, PM BUDGET SPECIAL  
IRN

(DOUGLAS MOFFIT  
ECONOMICS EDITOR)

REUTERS

DAVID O'KEEFE, REUTERS

AP DOW JONES

MR GLITTER, AP DOW JONES

PA NEWSROOM

FT NEWSROOM

(DAVID WALKER, NEWS EDITOR)  
FT

ORACLE

PETER HALL, EDITOR, ORACLE

CEEFAX

(DAVID WILSON, MANAGER

TELETEXT)

LEADER H/C (WAKEHAM)

LEADER H/L (BELSTEAD)

LEADER, OPPOSITION (KINNOCK)

SHADOW CHANCELLOR (SMITH)

RT HON T HIGGINS MP

MR N FORMAN MP

MR CHRISTOPHER (IRSF)

MR R SHELTON MP

SIR W CLARK MP

THE HON M LENNOX BOYD MP

MRT GAREL-JONES MP

TO BE COLLECTED FROM CHANCELLORS OFFICE  
AT 2.30PM FOR PAGE BY PAGE  
DISTRIBUTION AS CHANCELLOR SPEAKS

PACK B'S TO BE HANDED OVER  
AT END OF SPEECH

TO BE TAKEN TO THE HOUSE BY AH  
AT 3.00PM AND RELEASED TO PPS'S  
WHEN CHANCELLOR SITS DOWN



# RECIPIENT

TABLE OFFICE  
H/C LIBRARY  
H/L LIBRARY  
BUTTERNORTHS  
HANSARD  
NEDO  
TUC  
CBI  
NICG  
CONSERVATIVE RESEARCH DEPT  
(CABINET MEMBERS  
EXCL PM.CX.CST.LPC.LPG)  
MR FCASSELL (WASHINGTON)  
MR DBOSTOCK (BRUSSELS)  
DIRECTOR BIS (NEW YORK)  
BRITISH EMBASSY (PARIS)  
UKDEL.OECD  
TCSC

TO RICHARD SAVAGE BY 3.00PM

VIA TONY LYONS BY 3.15PM FOR PAGE BY PAGE DISTRIBUTION

TO BE COLLECTED FROM ENQUIRY ROOM AFTER SPEECH

IN ADVANCE OF SPEECH VIA MR MONCK / MR HYNNE OWEN

TO BE COLLECTED FROM ENQUIRY ROOM AFTER SPEECH

TO BE DISPATCHED WHEN CHANCELLOR GETS DOWN

BY DIPLOMATIC BAG



# RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

RECIPIENT

PS/ SPEAKER  
SPEAKER  
CHIEF WHIP

JOURNAL OFFICE

TABLE OFFICE

VOTE + PRINTED PAPER  
OFFICE

BUTTERWORTHS

H/C LIBRARY  
H/L LIBRARY



RESPONSIBILITIES FOR DISTRIBUTION : IDT

RECIPIENT

PRESS GALLERY  
OVERSEAS REPS  
FLEET ST PRESS  
NON - PRESS  
DEPT'S PRESS OFFICES  
HMT MAIL LIST  
(IDT, SPARES, INCL)  
ENQUIRY ROOM  
FFTG



# RESPONSIBILITIES FOR DISTRIBUTION : FP

RECIPIENT

PARLIAMENTARY SECTION

FP (SPARE)

SCOTLAND