

PO-CH/NL/0497 PTA

PO CH/NY/049~~8~~  
PART A

PO CH/NY/049~~8~~  
PART A

1989 BUDGET  
TAX RELIEF FOR PRIVATE  
MEDICAL INSURANCE.

6.2.89

THIS FOLDER HAS BEEN  
REGISTERED ON THE  
REGISTRY SYSTEM

TAX RELIEF<sup>4910</sup>  
FOR PRIVATE  
MEDICAL <sup>22</sup>  
INSURANCE



**Inland Revenue**

SECRET

Savings and  
Investment Division  
Somerset House

From: A J WALKER

Date: 12 January 1989

1. MR KUCZYS
2. CHANCELLOR

*Seen and approved  
in draft*

WALKER  
- IR  
- 50/100  
12/1

**TAX RELIEF FOR PRIVATE MEDICAL INSURANCE**

1. At last week's meeting of the NHS Review Ministerial Group, it was agreed that the proposal for a benefit-in-kind exemption for employer-provided medical cover in all-employee schemes should be dropped, but that relief for the elderly should proceed. Following that decision, this note:-

- seeks your decision on a number of consequential issues;
- seeks your comments on a draft passage for the Department of Health White Paper, and asks for your view on whether a separate Treasury announcement is desirable.

The note includes a contribution on benefit-in-kind issues by Mr Lewis.

Consequential issues

2. There are three issues for decision consequential on dropping the benefit-in-kind exemption:-

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c.c Chief Secretary  
Financial Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr MacPherson  
Mr Call

Mr Isaac  
Mr Painter  
Mr Corlett  
Mr Lewis  
Mr Massingale  
Mr Kuczys  
PS/IR  
Mr Walker

- should benefit-in-kind exemption nevertheless be retained for the over-60s (as originally planned, before a general benefits exemption was agreed)?
- if so, should the legislation for this be in 1989 (rather than in 1990 as previously planned)?
- do you want to re-open the decision to give the general over-60s relief at marginal rate?

3. Hitherto, a benefit-in-kind exemption for the over-60s has been seen as a natural counterpart to giving relief to the over-60s for premiums they pay themselves. And last Summer, in the context of a wider benefits exemption, you agreed (Mr Taylor's note of 25 July 1988 to Mr Lewis) that benefit-in-kind exemption should go to employees over 60 where an employer helped them with qualifying medical insurance, even if such employees were not in an all-employee scheme.

4. There is a strong argument of principle for keeping this one aspect of the benefit-in-kind exemption since it would ensure fiscal neutrality as between the elderly paying their own premiums and having them paid by their employers. It would be comparable to the benefit-in-kind exemption for cheap loans which applies where any interest on the loan would have qualified for mortgage interest relief or any of the other interest reliefs. There are no circumstances at present where a benefits charge would apply if in comparable circumstances the employee would have qualified for tax relief himself. A clause to give exemption to the over-60s should be relatively straightforward and could conveniently be slotted in with the general over-60s relief provisions.

ugh!

5. On the other hand, you may feel there is a danger that this would lead to pressure:-

- to re-open the question of extending the exemption to other employees receiving employer-provided medical insurance; and

- to extend benefit-in-kind exemption to other areas such as work-place nurseries.

There are, of course, good arguments against such suggestions. But we think that the relief by deduction for over-60s could be ring-fenced and defended in its own right if you preferred to limit the relief in that way.

6. You decided (Mr Taylor's note of 25 July 1988) that all the reliefs should be at marginal rate. One argument for giving the general over-60s relief at marginal rate was the read-across to the all-employee benefit-in-kind exemption, which could not conveniently be given at anything other than marginal rate. Now that the wider benefits exemption has been dropped, the operational objections to giving relief only at basic rate disappear. Nevertheless, the Prime Minister showed some interest last Summer in the rate at which relief would be given, and you may feel that the general rationale that reliefs should be given at an individual's marginal rate should still apply for this relief. We should be grateful for your confirmation that we should continue to plan for relief at marginal rates.

#### Contribution to White Paper and presentational points

7. We should be grateful for your approval of the attached draft passage for the White Paper, which has been prepared in conjunction with FP and ST.

8. As for presentation of the tax relief at the time the White Paper is published, one option would be simply to rest on the White Paper announcement, and for Treasury Ministers to make no further statement. This would be sufficient to give us the cover we need to consult the insurance providers on the details of the scheme.

9. You may prefer, however, a simultaneous announcement by a Treasury Minister, either by an arranged Question or by press

**notice.** The Treasury announcement could mention some details about the arrangements for the relief (eg that it is to be given by deduction at source) and that Ministers have authorised the Revenue to discuss the details urgently with the insurance industry in advance of introducing legislation in the Finance Bill. There would be some advantage in this: it would alert the insurers to our need to talk to them quickly, and it might help prevent unnecessary Parliamentary Questions and press speculation on some of the details.

10. **On balance, we recommend that there should be a Treasury announcement along these lines.**

Points for decision

No?

11. Should the benefit-in-kind exemption be retained for the over-60s?

Falls

12. If so, should this be legislated along with the general relief for over-60s in 1989?

Yes?

13. Do you still wish the general relief to be given at full marginal rate?

OK?

14. Are you content with the draft passage for the White Paper?

Written PQ?

15. Do you agree that there should be a separate Treasury announcement of details of the tax relief when the White Paper is published?



A J WALKER

PRIVATE MEDICAL INSURANCE

DRAFT PASSAGE FOR WHITE PAPER

10.9 A key factor in the development of the private sector has been the spread of private medical insurance. The number of people insured has grown significantly in the past few years. But for one group - the elderly - medical insurance cover has until recently not been widely on offer from most insurers; and where it has been available it has often been prohibitively expensive. [In recent months, however, some "budget" policies have been marketed which offer limited cover to the elderly at lower prices.]

10.10 The Government [welcomes this, but] would like to see greater take-up of medical insurance by the elderly - the age group most in need of health care services. The Government will therefore introduce legislation to give income tax relief from April 1990 on premiums paid by ~~for~~ ~~for~~ those aged 60 and over.

*a bit odd, since it raises question why do this now? But passage is ~~stems~~ v then.*

*on behalf of*



FROM: A C S ALLAN  
DATE: 13 January 1989

BF 20/1

MR A J WALKER - INLAND REVENUE

cc PS/Chief Secretary  
PS/Financial Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr Call  
  
Mr Painter - IR  
Mr Lewis - IR  
Mr Kuczys - IR

**TAX RELIEF FOR PRIVATE MEDICAL INSURANCE**

The Chancellor was grateful for your minute of 12 January, and has also seen Mr Culpin's minute of the same date.

2. On the various points for decision you raised at the end of your note, the Chancellor's views are:

- (i) We should not retain the benefit in kind exemption for the over 60s; but we must be prepared to concede this if pressed in Committee.
- (ii) If we are pressed in Committee, and have to concede, then it would be better to legislate in 1989 if possible, though that is not essential.
- (iii) The Chancellor does still wish the general relief to be given at full marginal rate.
- (iv) The Chancellor felt the second half of the first draft paragraph you provided (ie paragraph 10.9) was not the right line. What it should say is that the most rapid growth is in company schemes, where the



employer pays; but this cover stops on retirement, leaving the individual out in the cold just when he is most conscious of the need for cover and when his income has fallen. Hence ... (The Chancellor would be grateful for a revised draft on these lines).

The introduction to paragraph 10.10 will need consequential amendment. And the Chancellor would like the last sentence amended to say that the relief applies to "premiums paid by or on behalf of those aged 60 and over", rather than "or for". (The objective is to allow people to get tax relief on paying premiums on behalf of their parents, for example)

- (v) The Chancellor will like to see a draft of a Treasury written answer, and I should be grateful if you could prepare one. He would be grateful for advice on how serious a disadvantage it would be to have nothing. He feels there is a strong case for leaving everything - except the White Paper announcement on the principle - for the Budget.

A handwritten signature in dark ink, appearing to read "ACSA", with a long horizontal flourish underneath.

A C S ALLAN

SECRET

FROM: ROBERT CULPIN  
DATE: 12 January 1989

CHANCELLOR

cc: Chief Secretary  
Financial Secretary  
Sir Peter Middleton  
Mr Phillips  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr Call

Ch  
Questions @ end  
of Walker's note.  
Mr @ (w).  
Mr. AA

Mr Painter)  
Mr Lewis ) Inland  
Mr Kuczys ) Revenue  
Mr Walker )

TAX RELIEF FOR PRIVATE MEDICAL INSURANCE

*below*

Mr Walker's note today asks, among other things, whether over-60s who are still working, and have health insurance provided by their employers, should be exempted from the normal tax charge on their benefit-in-kind.

2. I am dead against this. Benefits in kind are an enormous can of worms. You have just succeeded in clamping on the lid within the Government; but it keeps threatening to come off, not only in relation to health insurance but also for workplace nurseries. The last thing you ought to do is to let it loose, even for the over-60s, unless you absolutely have to.

3. There are certainly arguments for a benefit-in-kind exemption for the over-60s, as Mr Walker's note records; and you did indeed offer one in some of the early discussions on the NHS review - for example, in a paper circulated on 28 June. But I do not believe these arguments are overwhelming. You have only agreed to provide tax relief for over 60s' health insurance to help get a market going for this group. Where the over-60s are still working, and





Inland Revenue

Personal Tax Division  
Somerset House

FROM: P LEWIS  
EXT: 6371  
DATE: 13 JANUARY 1989

CHANCELLOR

## TAX RELIEF FOR PRIVATE MEDICAL INSURANCE

(in health folder)

1. Perhaps I could just add a couple of comments on Mr Culpin's note of 12 January (in which he suggests that there should be no benefit-in-kind exemption for the over-60s) not on the "principles" - with which you are familiar - but on whether the "low profile" approach he suggests in paragraph 4 would be likely to succeed.

2. There are two reasons why it would be surprising if we got as far as the Finance Bill debates on this subject without the benefits-in-kind issuing having surfaced.

- First, employers are likely to spot the difference in treatment, as compared with mortgage interest relief, fairly quickly, particularly those who give both benefits. And, although the incentive is indirect, they would no doubt argue that they would be encouraged to provide more PMI to the over-60s if there were the "normal" benefits exemption.

(not objective)

??  
(a) Who's going to run that  
(b) if they do (or perhaps even if they don't) we could change MI treatment.

cc Chief Secretary  
Financial Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr MacPherson  
Mr Call

Mr Isaac  
Mr Painter  
Mr Corlett  
Mr Lewis  
Mr Massingale  
Mr Kuczys  
Mr Walker  
PS/IR

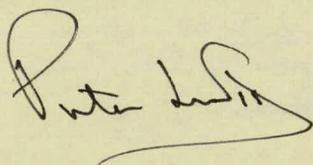
- Second, it may be quite difficult to describe the main over-60s proposal without under-lining the fact that it does not extend to benefits-in-kind. This is because we need to cover the case in which premiums are paid for the over-60s by someone else, typically children. I have already mentioned to Mr Walker that the description of the exemption in the draft attached to his note of 12 January - which was intended to cover just the main over-60s relief - could be understood by those whose employer pays for their insurance as covering them also. And however much we work on the drafting, since employer provision may well be the most common case of premiums for the over-60s being paid by someone else, it is likely to come to mind as soon as this aspect of the relief is disclosed.

*Don't know*

*Can argue that parallel is with CT deductibility of premiums.*

3. This suggests that the low profile approach might not succeed - and in that event it could land you in even hotter water. A limited exemption announced at the outset as a natural and precedented counterpart to the over-60's relief might focus less attention on the benefits issue than a campaign by employers and employees touched off by what might be seen as a niggardly approach on benefits. If that happened, it would probably set its sights on a complete benefits exemption.

4. In short, I would stick with the exemption because the long-term arguments in its favour won't go away, and it is not certain that you can in fact gain a tactical advantage by the low profile approach.



P LEWIS



FROM: A C S ALLAN

DATE: 16 January 1989

A handwritten signature in cursive, appearing to be 'puz'.

PS/CHIEF SECRETARY

cc PS/Financial Secretary  
Sir P Middleton  
Mr H Phillips  
Mr Culpin  
Mr Saunders  
Mr CallMr Isaac IR  
Mr Painter IR  
Mr Corlett IR  
Mr Lewis IR  
Mr Kuczys IR  
PS/IR**TAX RELIEF FOR PRIVATE MEDICAL INSURANCE**

The Chancellor would like to discuss Mr Lewis' minute of 13 January, and the earlier related minutes, as the final item on the overview agenda this afternoon. This will be at 5.00pm on call.

A large, stylized handwritten signature that reads 'ACSA'.

A C S ALLAN

pwp

**PRIVATE MEDICAL INSURANCE: DRAFT PASSAGE FOR WHITE PAPER**

9.4 A key factor in the development of the private sector has been the spread of private medical insurance. The number of people insured has grown significantly in the past few years: the biggest single element has been the increase in the provision of medical insurance cover by companies for their employees. But in most cases this cover stops when an individual retires. As a result, he is faced with the choice of whether to take out cover as an individual at a time when his income has fallen and when medical insurance premiums rise.

9.5 To help meet this problem, and to encourage both the provision of medical insurance for older people and its take-up, the Government has decided to introduce legislation to give income tax relief from April 1990 on all premiums paid by those aged 60 and over, or, for example, by their families on their behalf.

Ch  
A dozen copies below  
for you to circulate  
@ meeting  
AA

PRIVATE MEDICAL INSURANCE

DRAFT PASSAGE FOR WHITE PAPER

~~9.4.~~ 9.4. A key factor in the development of the private sector has been the spread of private medical insurance. The number of people insured has grown significantly in the past few years: the biggest single element has been the increase in the provision of medical insurance cover by companies for their employees. But in ~~most~~ <sup>many</sup> cases this cover stops when an individual retires. People in this position, who are reaching an age when they are most conscious of the need for cover, will often see their income fall to a level where medical insurance may seem beyond their means.

and those who have private medical insurance and

9.5. The Government would like to see greater take-up of medical insurance by older people. Legislation will therefore be introduced to give income tax relief from April 1990 on premiums paid by ~~those aged 60 and over,~~ <sup>or by their families on their behalf</sup>.

for example



Inland Revenue

Savings and Investment Division  
Somerset House

FROM: A J WALKER

20 January 1989

1. MR KUCZYS

2. CHANCELLOR

*AJK*  
*20/1*

*1 am unclear  
1 agreed with  
No proposed cost estimate  
in para B.  
2. The WTA is, on balance,  
probably worth having. But*

STARTER 154: TAX RELIEF FOR PRIVATE MEDICAL INSURANCE

*no new*

*of Press Release or*

1. This note:-

- gives advice - requested in Mr Allan's note of 13 January - on the question of a separate Treasury announcement of the relief simultaneous with the Department of Health White Paper.
- looks at the cost of the starter (in the light of your comment at the Overview on 16 January that the cost appeared to have risen).

Should there be a Treasury announcement?

2. You asked for advice on how serious a disadvantage it would be to have no separate Treasury announcement about the new relief, but simply to rest on the passage in the Department of Health White Paper, and leave everything else for the Budget.

- cc Chief Secretary  
Financial Secretary  
Sir P Middleton  
Mr Philips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr Call

- Chairman  
Mr Isaac  
Mr Corlett  
Mr Bush  
Mr Kuczys  
PS/IR  
Mr Walker

3. Our view is that, provided you are content for us to begin detailed discussions with the insurance providers on the basis of the brief mention in the White Paper immediately after it is published, the advantage of a separate Treasury announcement would be fairly small: its main value would be to put the insurers on warning that we will need to sort out the details of the scheme quickly if we are to have effective legislation in the Finance Bill.

4. On the other hand, we see no benefit in announcing details of the scheme in the Budget. The main essentials of the scheme will already have been announced, and there is unlikely to be much mileage in the remaining details in terms of adding significantly to the Budget package. In addition, it is unlikely that by Budget Day we will have finished consulting the insurance industry; so a number of points may still remain to be settled at that stage. We suggest that the best time to make a further announcement on the details will be by press release when the Finance Bill is published.

5. In case you would like an arranged Question and Answer at the same time as the White Paper, I attach a draft. But we see no overriding disadvantage if you decide to rest purely on the passage in the White Paper.

#### Cost of relief

6. You were concerned to see that the cost of relief for the over 60s had risen from £30 million in the starter sheet (circulated last October) to £50 million in the Budget Scorecard.

7. The £50 million figure included £10 million originally scored as part of Starter 102 (benefit-in-kind exemption). That was the cost of exempting, from a benefit-in-kind charge, employees over 60 in company insurance schemes (with no requirement that they should be all-employee schemes). Now that you have decided not to provide that exemption, that £10 million drops out.

8. For the remaining cost, there are two uncertainties which we have to take into account:

- a. we are projecting forward to 1990-91, from data which is a year or so out of date, the estimates of take-up, and of average premium levels;
- b. we then have to build in something for the behavioural effect of the tax relief itself - the additional people who will take out insurance as a result of tax relief.

9. Since the early Autumn, two things have affected our view on the first issue - how take-up and premium levels will rise. First, latest figures show premiums generally (not just for the elderly - we cannot isolate them) rising at an annual rate of around 12 per cent. (We had earlier assumed the rate would be about 5 per cent.) Second, other insurers have joined BUPA in offering "budget" cover aimed at older people. That might be expected to increase the number of over-60s with cover, although at the same time it should tend to reduce average premiums for older people.

10. Since the Overview meeting we have reviewed all the factors likely to affect the cost, and taken account of more recent Family Expenditure Survey data. Our best estimate now for the cost in 1990-91, including the behavioural effect, is in the range £35 to £40 million. Whether, in the FSBR, to round up to 40 or down to 35 depends mainly on the view taken of the behavioural impact.

11. There is a good case for rounding up to 40. There will be 15 months from announcement to the start of the relief - plenty of time for advertising campaigns aimed at encouraging the over-60s to take advantage of the Government's new incentive. A 20 per cent increase in the number (currently 300,000) of over-60s with private medical insurance might be plausible.

12. On the other hand, while we expect a significant behavioural effect in time - that is the point of the relief - we do not want to over-estimate it in the first year (even with a 15-month lead time). A 10 per cent increase - ie another 30,000 people - is equally plausible. That would produce a total cost which rounds down to £35 million. If in the event it proves an underestimate, the answer will be "That just shows how successful the relief has been".

13. On balance then, we think £35 million is the figure which should appear in the FSBR. Of this, some 90 per cent will be "deadweight" - people who would have had medical cover anyway - although the FSBR will not mention this. But it will contain a footnote to the effect that we expect the cost to rise over time as a result of the behavioural effect.

  
A J WALKER

DRAFT PQ AND ANSWER

Q. To ask the Chancellor of the Exchequer whether the Government has any plans to introduce income tax relief on premiums for private medical insurance, and if he will make a statement.

A. In the White Paper [" " (Cmnd [ ])] the Government [today] announced a new income tax relief on premiums for private medical insurance for those aged 60 and over. The relief will be given at the basic rate by deduction at source (in a similar way to the MIRAS arrangement for mortgagees). It will be available either where an individual aged 60 or over pays his or her own premiums on an eligible policy, or where someone else, such as a relative, pays on their behalf. Where higher rate relief is due, the additional amount will be given by the tax office, eg by adjustment to the PAYE code or in an assessment.

Legislation to introduce the relief will be contained in the next Finance Bill, and will take effect from 6 April 1990. I have authorised the Inland Revenue to consult the medical insurance industry urgently about the details of the relief.



FROM: J M G TAYLOR

DATE: 23 January 1989

MR A J WALKER - INLAND REVENUE

*JMG*

cc PS/Chief Secretary  
PS/Financial Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr CallSir A Battishill IR  
Mr Isaac IR  
Mr Corlett IR  
Mr Kuczys IR  
PS/IR**STARTER 154: TAX RELIEF FOR PRIVATE MEDICAL INSURANCE**

The Chancellor has seen your note of 20 January.

2. He is content with the proposed cost estimate of £35 million in your paragraph 13.
3. He thinks that the Written Answer is, on balance, probably worth having. But there is no need to Press Release it.

A handwritten signature in dark ink, appearing to be 'JMG'.

J M G TAYLOR



**Inland Revenue**

SECRET

*Page 2 of 19*

Savings and  
Investment Division  
Somerset House

From: A J WALKER

Date: 23 January 1989

*Although this note is  
necessarilly fairly long and detailed,  
the issues for decision are*

- 1. MR KUCZYS
- 2. FINANCIAL SECRETARY

*summarised in paragraph 38*

*Passed in h  
AWK - 24*

*(off note re  
written ph  
answer ✓  
page 26)*

*AWK  
23/1*

**STARTER 154: PRIVATE MEDICAL INSURANCE**

1. The Chancellor has now agreed (Mr Taylor's note of 13 January) the scope of this relief. This note seeks your agreement on a number of detailed issues on which we need to give instructions to Parliamentary Counsel.

2. Our development of some aspects of the relief is incomplete at this stage, and will remain so until we have been able to talk to the medical insurance providers following the public announcement at the end of the month. The areas of uncertainty concern chiefly the scope and extent of treatments and other benefits which may be provided in policies which qualify for tax relief.

3. We should nevertheless be grateful for your views on the basis of the information we have at present, to enable us to make further progress with drafting.

- c.c
- Chancellor
  - Chief Secretary
  - Sir P Middleton
  - Mr Phillips
  - Mr Culpin
  - Mr Saunders
  - Mr Griffiths
  - Mr MacPherson
  - Mr Call
  - Mr Bowman (OPC)

- Mr Isaac
- Mr Corlett
- Mr Bush
- Mr Newstead
- Mr Kuczys
- Mr Oakes
- PS/IR
- Mr Walker

i. Certification of policies

4. There are two alternative approaches to certifying policies as eligible for tax relief:-

- a. requiring the medical insurance providers to certify that their policies meet a set of criteria ("self-certification"); or
- b. establishing a specialist Inland Revenue unit (of only one or two staff) to test all proposed new policies for eligibility along similar lines to the arrangements for life assurance policies ("Revenue certification").

5. The main argument for self-certification is that it would follow the "privatisation" trend of recent years where the onus is placed on the provider of a financial product to be fully responsible for allowing tax relief to the individual taxpayer, and claiming it back from the Revenue. The main safeguard for public money lies in the Revenue's powers of audit. Self-certification for medical insurance policies would keep contact between the insurance providers and the Revenue - and thus administrative costs on both sides - to a minimum.

6. Against these advantages have to be weighed a number of potential disadvantages. The main difficulty is likely to be where insurance providers certify policies as eligible for relief which subsequently turn out to be ineligible. It would be politically difficult to argue that the elderly people involved should not keep their tax relief, but it is not possible to legislate in advance for this kind of case. Inevitably there would be hard-luck stories.

7. This kind of situation is likely to occur particularly where policies cover treatments or benefits which are at the borderline between which are "acceptable" and which are not. And it is likely that the range of benefits will change over the years as treatments now regarded as exotic become more commonplace and (perhaps) more widely available under the NHS.

8. On balance, our view is that certification of policies by the Revenue, rather than by insurance providers, is likely to be the better approach. This will give us an opportunity to spot potential difficulties before policies are issued, and will avoid a re-run of the life assurance policy approvals regime (where self-approval was replaced by Revenue approval in 1976 following unsatisfactory application of the rules by life companies). We expect the staff cost to be very small, and will draw on the existing expertise involved in vetting life assurance policies.

ii. Extent of cover eligible for relief

9. One of the objectives of tax relief for private medical insurance is to relieve pressure on the NHS. We have been working on the basis that Ministers will wish as far as possible to ensure that currently available medical insurance policies qualify for relief if they are taken out by the elderly (so as to get the relief off to a good start). The medical benefits available under the policies offered by the three main insurers (BUPA, Private Patients Plan and Western Provident Association - who between them cover 90 per cent of the market) are well within the objective of relieving pressure on the NHS: the cover they offer excludes many of the more exotic treatments such as plastic surgery (except after an accident) and some types of alternative medicine.

10. But one feature of all policies we have seen may serve to act against this objective. This is the option of a cash benefit (usually paid on a daily basis) where the insured individual decides to take free treatment in an NHS bed rather than private treatment in a private bed. Typically policies pay £15 to £25 per day in these circumstances, but some policies pay more.

11. It is for consideration whether such benefits should be allowed in policies which attract tax reliefs. The medical insurance industry may argue that the cash benefit alternative

helps keep premiums down. But to the extent that it does, it is self-defeating in terms of the Government's objectives: the greater the reduction in premiums as a result of a cash alternative, the less the ultimate benefit to the NHS. Our view is that, in principle at least, tax-relieved policies should not offer a cash alternative.

12. There is another reason for not accepting this feature of current policies: there is just a possibility that, if policy benefits can be taken out as cash, medical insurance policies would be capable of being used, at least in part, as tax-relieved savings media. The main danger would be with fringe operators or newcomers to the market rather than with the present established medical insurers.

13. The options are:-

- a. to allow no cash benefits in policies which attract tax relief; or
- b. to allow a small daily cash benefit of, say, £5 to cover incidental personal expenses; or
- c. to allow cash benefits to continue broadly at present levels (with, say, a £25 upper limit). The limit could then be left to "wither on the vine".

14. Our view is that b. is the best compromise, but it would mean that most policies currently on offer to the elderly would have to be changed slightly to qualify for relief. If that proves, in discussion with the providers, to be a stumbling block, then c. provides a fall-back.

15. Some policies also offer a small cash benefit for maternity. This feature is unlikely to help the NHS, but it is an insignificant part of policies, and there is little scope for abuse! We propose, therefore, that these benefits are allowed up to, say, £100.

### iii. Treatments and benefits

16. We have discussed with Department of Health officials the general scope and the types of treatment available under policies eligible for relief. Annex A sets out our thinking based on those discussions.

17. The general approach is to define what treatments (all of which must be normally available under the NHS) would be acceptable. In addition, we think it sensible to exclude certain types of treatment etc where insurance cover would not meet the objective of reducing pressure on the NHS. The main items here are treatments for which most individuals already have to pay, such as routine ophthalmic and dental services. Such treatments are normally excluded from currently available medical insurance.

18. We also propose that, in the interests of keeping the relief as simple as possible, certain treatments such as acupuncture, homeopathy and operations by GPs should be excluded. These could, if necessary, be added at a later date if they become more generally available.

19. The main benefits which should be allowed - other than the medical treatment itself - are those most closely tied to the treatment, eg associated accommodation charges (including for a parent necessarily accompanying a child), drugs and dressings, service charges, and ambulance charges.

20. The issue of which treatments and benefits should be allowed under eligible policies is particularly difficult to decide without consulting the insurers. We may need to return to the question after we have talked to them.

### Definition of "elderly"

21. The relief is intended for those aged 60 and over, but a simple rule to this effect may be too narrow because a number

of policies are joint husband-and-wife policies where one of the partners is below the age of 60.

22. One possibility would be to give the relief only to that portion of the premium which applies to the person aged over 60. But this would be cumbersome and difficult to police. An alternative approach - which we recommend - is to give relief on the full premium for a husband-and-wife policy, provided one of them is 60 or over.

23. A few policies taken out by the elderly may be family policies where children under 18 are included "free" (in reality the children's premium is hidden in the adults'). Very few elderly are likely to hold such policies. We recommend that for the sake of keeping the rules relatively straightforward, tax relief is not made available for them.

#### Non-resident policyholders or payers

24. Nearly everyone resident in the UK is entitled to use NHS services, as are certain British subjects living abroad. Devising a workable provision which, for the purpose of the relief, distinguished between non-residents on the basis of whether or not they could claim free treatment under the NHS would, however, be very difficult.

25. The approach we suggest is relatively straightforward, and draws a distinction between those insured under the policy and those who pay the premiums. In most cases, of course, the premium is likely to be paid by one of the people insured under the policy; but Ministers have decided that relief should also be given where the premium is paid by someone else (eg a relative).

26. We suggest that the insured individual must be either:-

- resident in the UK; or

- a member of the Armed Forces (or his/her spouse) not resident in the UK; or
- a member of the UK Diplomatic Service (or his/her spouse) not resident in the UK.

This approach would deny relief in some circumstances where they might be entitled to some other reliefs (eg mortgage interest relief is available to non-residents in some circumstances), but this is the simplest and tidiest line to draw without being unduly inequitable.

27. If the rule for the residence of the insured is drawn fairly tightly as suggested, there is a case for saying that there is no need to impose a rule limiting eligible payers to UK residents. However, it might appear odd that an American son-in-law resident in the USA paying premiums on behalf of his aged parents-in-law resident in the UK should pay the premium net of "tax relief". The relief, of course, in such a case would be a direct Exchequer subsidy rather than a true tax relief. We are not aware of any other circumstances where a similar subsidy goes to non-residents. On balance, therefore, we recommend that the rules for payers are the same as those for the insured described in paragraph 26.

#### Non-resident insurance providers

28. At present, all those who offer private medical insurance in the UK are, so far as we are aware, established here or have a branch here. But with the advent of freedom of insurance services within the EC over the next few years, any properly authorised Community insurer will be free to do cross-border business without establishing a branch.

29. Allowing relief on medical insurance sold outside the UK would present a number of problems:-

- it would not be possible to include such arrangements in the premium relief by deduction scheme as there is no

*Better extend to  
Intelligence Officers, too,  
unless we want  
more complaints  
from Mr Pickles!  
RJK!*

machinery for ensuring that the provisions are properly applied. Relief would therefore have to be given on a case-by-case basis by the tax office;

- certification of standard policies could be difficult if not impractical;
- it would be impossible to enforce the withdrawal of relief where premiums were refunded.

30. Our view is that it would be much preferable to confine relief to premiums paid to UK insurers or overseas insurers with UK branches. While this line can probably be held for the time being, Ministers may eventually be forced to admit insurers from other EC countries. Such an extension would make the compliance effort more difficult and would inevitably increase our administrative costs.

#### Who gets higher rate relief?

31. Ministers have decided that premium relief should be available regardless of who pays: this should encourage friends or relatives to pay premiums for the elderly. But if relief is given at the payer's marginal rate, there is considerable scope for manipulation: for example, an elderly basic rate taxpayer could enter into an arrangement with a higher rate-paying relative to pay the premium on his behalf, simply in order to get the higher level of tax relief.

32. One approach would be to allow higher rate relief where the payer was not the insured person, only if he and the insured signed a statement to the effect that they had not entered into any kind of arrangement for the purpose of maximising their tax relief (a similar approach was used until recently to guard against reciprocal covenanting arrangements). But in practice such a requirement would be very difficult to enforce: it would rarely, if ever, be possible to prove a reciprocal arrangement unless the parties

concerned confessed to it. So the dodge could become quite widespread.

33. Another approach would be to give any higher rate relief only to the insured elderly person: if he was a higher rate taxpayer, he could claim the additional relief regardless of whether he or someone else had paid the premium. But Parliamentary Counsel thinks that a provision to achieve this, which would involve giving a tax relief to someone who had made no payment or incurred no costs (but instead would depend on what someone else had done), would be unprecedented and risky. We would not recommend it.

34. The remaining option - which on balance we recommend - is to give basic rate relief to whoever pays the premium, but to give higher rate relief only to elderly taxpayers paying on their own (and/or their spouse's) behalf. But this means that the incentive of higher rate relief would not be available where a friend or relative paid an elderly person's premium for him, and this could give rise to some criticism.

#### Compliance powers

35. Because the relief will be given by the insurers, at source, we will need to be satisfied (and to satisfy the National Audit Office and PAC if the need arises) that reasonable steps have been taken to ensure that the relief is not abused.

36. One aspect of this is the certification procedure discussed above: there are likely to be fewer problems if the Revenue certifies policies. But if a system of self-certification by insurers is adopted, some form of checking up will be needed.

37. Whichever form of certification is adopted, however, the Department will still need information and auditing powers so that - as with, eg, MIRAS - we can ensure that investors have

set up satisfactory systems for giving the tax relief at source, and that they are operating them to a satisfactory standard.

### Summary of issues for decision

38. In summary, the main issues for decision are:-

#### Certification of policies

Do you agree that there should be a system of certification by the Revenue (similar to the arrangements for life assurance policies)?

#### Extent of cover eligible for relief

Do you agree with the general approach that, so far as possible, currently available policies are eligible for relief, but that cash benefits should not be allowed except:-

- up to £5 a day for out-of-pocket expenses; and
- up to £100 maternity cash benefit?

#### Treatments and benefits

Do you agree that the following should be excluded from eligible policies:-

- routine dental and ophthalmic treatment
- acupuncture
- homeopathy
- GP operations

#### Definition of "elderly"

Do you agree that relief should be given on policies for:-

- individuals aged 60 and over; and
- joint husband-and-wife policies where at least one spouse is aged 60 and over?

#### Non-resident policyholders and payers

Do you agree that both the payers and those insured under eligible policies should be:-

- resident in the UK; or
- a member of the Armed Forces (or spouse) not resident in the UK; or
- a member of the UK Diplomatic Service (or spouse) not resident in the UK?

#### Non-resident insurance providers

Do you agree that, for the time being at least, relief should be limited to premiums paid to UK insurers (or overseas insurers with a branch in the UK)?

#### Who gets higher rate relief?

Do you agree that higher rate relief should be available only to the over-60s paying their own insurance premiums?

#### Compliance powers

Do you agree that the Revenue should have the information and audit powers described in paragraphs 35-37?

#### Form of legislation

39. You may like to be aware of how we and Parliamentary Counsel envisage the form of the legislation. At present we are working on the basis of three or four clauses (but no Schedules) in the Finance Bill, describing the rules for the relief and the conditions for eligible policies. Enabling

powers will allow for regulations to be made covering procedural matters and listing treatments and benefits which may be available under eligible policies. This approach should give enough flexibility to respond to changes in medical practice without needing to change the primary legislation on every occasion.

#### Compliance costs

40. The new relief will entail some additional cost for the medical insurance providers:-

- they will have to upgrade existing systems or instal new ones to enable them to give tax relief at source;
- they will need to satisfy themselves that those they are insuring are within the scope of the relief; and
- they will need to keep records and make them available to the Revenue's auditors on request.

41. On the other hand, the relief will generate additional business, and could help the insurers to achieve economies of scale in a sector of the market which we suspect is still fairly sluggish. Overall, we expect that the benefits to insurers will outweigh the cost to them.

42. We need to talk to the insurance providers about the scope and details of the relief urgently once the White Paper is published. At the same time, if you agree, we could ask them what they thought their costs were likely to be; and we could listen to any suggestions from them about ways of keeping those costs to a minimum.

43. If you would like a meeting to discuss the issues raised in this paper, we are at your disposal.

  
A J WALKER

PRIVATE MEDICAL INSURANCE

NOTE ON CONDITIONS FOR ELIGIBLE POLICIES

i. General:

- treatment/consultation/benefit must be given or personally controlled on a day-to-day basis by a fully registered medical practitioner [possibly specify must be in UK]; and
- treatment must be at
  - NHS hospital; or
  - hospital instituted by special Act of Parliament or incorporated by Royal Charter; or
  - premises registered under Part II of the Registered Homes Act 1984.

ii. Eligible treatments (all must be normally available under NHS):

- medical/surgical treatments;
- diagnostic consultations, including screening, radiography and magnetic resonance imaging;
- pathology;
- radiotherapy

- physiotherapy;
- prostheses;
- GP consultations;
- acupuncture;
- homeopathy.

iii. Qualifying benefits/charges for eligible treatments:

- accommodation charges, including for parent necessarily accompanying child;
- intensive care charges
- nursing charges 9 including home nursing services for necessary medical reasons;
- operating theatre fees;
- drugs and dressings, prescribed and dispensed in course of relevant private hospital treatment;
- medical charges (including surgical and anaesthetic);
- outpatient service charge;
- private ambulance;
- cash benefits up to £5 per day in hospital (as inpatient or day patient);
- maternity cash benefit up to £100 (- not insurable risk, but included in some current policies).

iv. Exclusions:

- treatments not normally available under NHS\*;
- general routine ophthalmic services not carried out in hospital;
- routine dental treatment;
- chiropody (unless incidental to qualifying treatment);
- convalescence (specific exclusion not needed?);
- cash alternatives other than outlined in iii. above.

\*eg health hydros (farms; nature care clinics;  
cosmetic surgery except for purely medical reasons).

SECRET

SAVINGS AND INVESTMENT DIVISION

From: A J WALKER  
Extn: 7237  
Date: 25 January 1989

Ref: .....

c.c Mr Isaac \*  
Mr Corlett \*  
Mr Kuczys \*  
Miss MacFarlane

1. Joyatta  
2. pwp

PS/Chancellor \* )  
PS/Financial Secretary \*)  
Mr Phillips \* )HM Treasury  
Mr Culpin \* )  
Mr Saunders \* )  
Mr Towers )

\* Without attachments

Mr Dyer  
Treasury Parliamentary Section

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TAX RELIEF FOR PRIVATE MEDICAL INSURANCE

1. As I mentioned to you on the telephone, one of the measures arising from the review of health services - on which a DH White Paper is to be published next Tuesday, 31 January - is a tax relief for private medical insurance premiums for the elderly.

2. The Chancellor has agreed to a simultaneous Treasury announcement of the tax relief by means of an arranged Question and Answer. I attach a copy of my note of 20 January (to which is attached the text of the PQ and A) together with PS/Chancellor's reply.

3. I should be grateful if you would make the necessary arrangements. I understand that the present plan is to announce the White Paper by Ministerial statement to the House of Commons after oral questions on Tuesday. I suggest that we might aim to have this Answer given as soon as conveniently possible after that. Mr Clarke has a press conference at 4.30, and it would certainly help to have it answered by then; but you will no doubt want to clear your lines with the Chancellor's Office on the exact timing.

No 5  
CR

A J WALKER

SEC AJW28

FST/89/1.



Copy No. 1 of 15

FROM: FINANCIAL SECRETARY  
DATE: 27 JANUARY 1989

CHANCELLOR

cc

Chief Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr MacPherson  
Mr Call  
Mr Bowman - OPC

*Contract (inc. GPs)*

*Ch. Agree FST (including including GPs operations) ?  
27/1*

Mr Kuczys ) IR  
Mr Walker )  
PS/IR

**STARTER 154: PRIVATE MEDICAL INSURANCE**

I agree with most of the recommendations in Mr Walker's minute of 23 January, namely:-

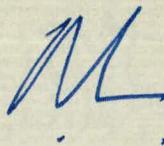
- that there should be a system of certification of policies by the Revenue;
- that cash benefits should be limited to £5 a day to cover out-of-pocket expenses and £100 for maternity;
- that relief should be given on policies for individuals aged 60 and over, and on joint husband-and-wife policies where at least one spouse is aged 60 and over;
- that relief should be limited to premiums paid to UK insurers or overseas insurers with a branch in the UK;
- that higher rate relief should be available only to the over- 60s paying their own premiums; and
- that the Revenue should have the information and audit powers described in paragraphs 35-37 of Mr Walker's note.

ST have no  
objections  
to not excluding them

I had only two comments on the other issues. First, you may wish to consider whether we should be excluding operations by GPs from the list of eligible treatments and benefits. I have not been involved in your deliberations on the White Paper. But I understand that this is something you may wish to encourage in the future, and it might be helpful if such operations were available under private insurance policies as well as under the NHS.

Secondly, the scope of those eligible for relief follows pretty closely that for MIRAS. Those rules are now being amended slightly in order to take account of the problem caused by your constituent Mr Pickles. I therefore suggest we extend the definition in paragraph 26 of Mr Walker's minute to include any Crown Servant living abroad who is taxed on his earnings as if he were resident in the U.K.

(I prompted this,  
following your comment  
on the note).  
al



NORMAN LAMONT

COPY NO. 16 OF 16 .



FROM: J M G TAYLOR

DATE: 30 January 1989

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr Call  
Mr Bowman - OPC

Mr Kuczys - IR  
Mr Walker - IR  
PS/IR

**STARTER 154: PRIVATE MEDICAL INSURANCE**

The Chancellor has seen the Financial Secretary's note of 27 January, and Mr Walker's note of 23 January.

2. He agrees with the Financial Secretary's conclusions on the recommendations in Mr Walker's minute; and agrees that we should include GPs' operations in the list of eligible treatments and benefits, and amend the definition of those eligible for relief to include any Crown servant living abroad who is taxed on his earnings as if he were resident in the UK.

A handwritten signature in black ink, appearing to be 'J M G Taylor'.

J M G TAYLOR



(a) is correct.  
(b) is too - tho' (surely)  
a diff. from  
of which will be  
read.

Ch.

I gather you had a word with BT  
about this at Prags. As reported, you  
differed from the Walker conclusions in  
two respects:

- (a) you wanted relief for all at their  
marginal rate - whereas BT/Walker  
suggest this only for the over 60s where  
they pay their own premiums (in  
order that higher rate-paying children  
do not automatically pay premiums on  
their (basic-rate paying) parents behalf)  
- see para. 34 of Walker note;
- (b) you wanted premium relief to  
cover GP treatment in general -  
not just operations.

Is this right? Or do you in fact agree <sup>one</sup>



FROM: J M G TAYLOR

DATE: 31 January 1989

*py*

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
Sir P Middleton  
Mr Phillips  
Mr Culpin  
Mr Saunders  
Mr Griffiths  
Mr Macpherson  
Mr Call  
Mr Bowman OPC

Mr Kuczys IR  
Mr Walker IR  
PS/IR

**STARTER 154: PRIVATE MEDICAL INSURANCE**

The Chancellor has discussed this further with the Financial Secretary.

2. He has concluded that he would prefer:

- (i) relief to be given for all payers at their marginal rate;
- (ii) relief to cover GP treatment in general, not just operations (though obviously a different form of cover would be required).

*JTG*

J M G TAYLOR



**Inland Revenue**

Savings and  
Investment Division  
Somerset House

We are seeing the industry on  
Thursday. It would be very  
helpful if we could have  
confirmation by Wednesday that  
higher rate relief is to be  
available to all.

From: A J WALKER  
Date: 6 February 1989

1. MR CORLETT
2. FINANCIAL SECRETARY

blw  
6/2

**STARTER 154: PRIVATE MEDICAL INSURANCE**

1. The Chancellor has indicated (Mr Taylor's note of 31 January) that he would prefer relief for private medical insurance premiums for the elderly to be given for all payers at their marginal rate. This note outlines the implications of that decision and provides revised cost estimates of the relief.

2. As the attached extract from last week's Times illustrates, we will be under pressure over the next few days (when we shall be meeting representatives of the insurance companies) to spell out precisely how and to whom higher rate relief will be given.

Possibilities for manipulation

3. As I mentioned in my note of 23 January, a decision to allow higher rate relief to friends or relatives who pay

- c.c
- Chancellor
  - Chief Secretary
  - Sir P Middleton
  - Mr Phillips
  - Mr Culpin
  - Mr Saunders
  - Mrs Chaplin
  - Mr Tyrie
  - Mr Call

- Mr Isaac
- Mr Corlett
- Mr Bush
- Mr Deacon
- Mr Newstead
- Mr Kuczys
- Mr Hodgson
- Mr I Stewart
- PS/IR
- Mr Walker
- Mr Davenport

premiums for the elderly opens up the way for manipulation, particularly within families. Thus, if a higher rate taxpayer agrees to take on his aged basic rate father-in-law's BUPA subscription, he will get tax relief worth £400 on a £1,000 subscription. His father-in-law will pay him the net subscription (£750) he would otherwise have paid, and the higher rate taxpayer ends up with the extra tax relief worth £150 in his pocket. Or they split it between themselves.

4. If relief at full marginal rate for under-60s payers goes ahead, the manipulation will have to be accepted as an inevitable price to be paid for getting the scheme off to a good start.

5. One possibility we shall think about would be to require all younger claimants of higher rate relief to sign a statement that they had not entered into an artificial arrangement with the beneficiary. This technique was applied to a similar problem with deeds of covenant. Until tax-effective non-charitable covenants were abolished last year, the covenantor had to sign a "certificate of non-reciprocity" stating that he had not entered into an arrangement for the purpose of maximising the relief. In practice, however, such a certificate would serve more as a presentational measure than an effective compliance weapon. In most cases there is unlikely to be any practical way in which we could check whether or not funds had been transferred (eg between family members - or even if no payment at all had been made by the claimant) for this purpose. On the other hand, whatever its ineffectiveness in practice, it might at least demonstrate some attempt at checking in the face of criticism from, eg, the NAO and the PAC. And, in the last resort, it would be evidence available to us if cases did arise where we were able to prove misbehaviour.

#### Cost

6. The original cost figure of £35 million in 1990-91 was based on limiting higher rate relief to the over-60s themselves, and on the assumption that take-up increases by 10

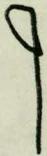
per cent by then. Allowing higher rate relief to younger people will push up the cost to £40 million. If the optimistic statements from the insurance industry (quoted in the attached Times extract) are soundly-based, additional take-up could be higher. If it proves to be 20 per cent, the cost will be £45 million.

7. On balance, we think it is better for the present to stick to the £40 million figure for the FSBR, and in the Answers we are preparing to the attached Parliamentary Questions tabled by Mr Gordon Brown.

#### Conclusion

8. If the decision that higher rate relief is to be available to all payers is confirmed, we shall announce this to the insurance industry when we see them in a few days' time.

9. And, if you agree, the cost of the relief, to reflect that, will be raised from £35 million to £40 million in the FSBR.



A J WALKER

# Parents' insurance to draw tax relief

By Nicholas Wood, Political Correspondent

People who take out private health insurance on behalf of an elderly parent appear set to get full tax relief on their own incomes, it was disclosed yesterday in the wake of the publication of the Government's health White Paper.

The move, which would mean savings of up to £824 a year for a top rate taxpayer helping a couple aged over 60, will give a big boost to the private health market.

Bupa, the market leader, which has 600,000 subscribers aged over 65 said it was looking to increase that by another 500,000. It was already working on new packages for the over-60 age group.

Mr Paddy Ashdown, the Democrats' leader, attacked the tax relief move as a "stalking horse for tax funding for private health for every taxpayer in years to come".

Meanwhile, the private sector representatives predicted that the Government's reforms will lead to a sharp rise

in the number of patients it treats. The Independent Hospitals' Association said an extra million people a year might be operated on outside the National Health Service.

The idea of affluent young people taking out health insurance on behalf of their parents is in line with the Prime Minister's belief in the need for individuals to take greater responsibility for their own welfare and that of their families.

Nevertheless, there was some confusion in Whitehall about the precise implications of the introduction of the new form of relief announced in the White Paper.

Although the Treasury refused to go beyond the text of the Chancellor's announcement which fails to clarify that point, official sources believed that the relief would be available on the income of the person paying the premiums.

Continued on page 18, col 1

Continued from page 1

Mr Roy Clarke, Bupa's managing director of health insurance in the United Kingdom, said: "My understanding is that if a son or daughter pays the premium for a parent and they are on the standard rate, we will abate the premium by the standard rate of 25 per cent. If they are paying tax at the higher rate, they will have to get the additional 15 per cent abatement through the Inland Revenue."

"The youngster gets the advantage of the tax relief

because he is the one paying the premium."

Mr Stephen Withers, Bupa's planning manager, said: "It means yuppies who want to buy cover for their elderly parents will have 40 per cent slashed off their bills."

Mr Clarke said the change amounted to "a very interesting opportunity" to penetrate the elderly market. At present, only 8 per cent of the over-65s were privately insured, compared with 10 per cent among the population as a whole. He

predicted that the gap would soon close.

For a standard 25 per cent rate taxpayer, the saving on a Bupacare package costing £2,160 for a couple aged 65 or over and giving full London cover would be £515, rising to £824 for someone paying tax at the top rate of 40 per cent.

Mr Tony Byrne, IHA chief executive, said: "I would think that we could see an additional one million patients being treated in independent hospitals over the next five to 10 years."

Around 500,000 operations a year are now carried out privately but that could rise to 1.5 million depending on how proposals for the internal health care market work out."

Average bed occupancy in private hospitals was about 50 per cent at the moment, so there was plenty of spare capacity to treat more patients, Mr Byrne said.

The reforms were also welcomed by the general manager of Britain's largest private hospital group.

Mr Oliver Rowell, of Nuffield Hospitals, said: "Apart from being the most radical shake up of the NHS since its formation, The Government White Paper also represents potentially the largest opportunity for development in the private sector for 40 years."

"Clearly, the bulk of patient services will continue to be provided by the NHS itself, but it presents a considerable opportunity to the private sector to make its prices and facilities attractive."

27

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of  
ls  
to

- 2391 **11 Mr Gordon Brown (Dunfermline East):** To ask Mr Chancellor of the Exchequer, what  
W is his estimate of the cost of private medical insurance tax relief for each of the five  
years following its introduction.
- 2391 **12 Mr Gordon Brown (Dunfermline East):** To ask Mr Chancellor of the Exchequer, how  
W many elderly persons would be eligible for tax relief as private income; what is his  
estimate of the number who currently hold private medical insurance; and how  
many more he estimates will take out health insurance under this new scheme.

2392

Notices of Questions: 1st February 1989

No. 40

- X  
2392 **13 Mr Gordon Brown (Dunfermline East):** To ask Mr Chancellor of the Exchequer, what  
W proportion of the cost of private medical insurance tax relief he estimates will be  
paid out to those who already have private medical insurance.
- X  
2392 **14 Mr Gordon Brown (Dunfermline East):** To ask Mr Chancellor of the Exchequer, what  
W proportion of the cost of private medical insurance tax relief he estimates will go to  
taxpayers paying tax at 40 per cent.