

● PO-CH/NL/0507

PART A

PO CH/NY/0507  
PART. A.

PO CH/NY/0507  
PART A.

1989 BUDGET  
REPRESENTATIONS

13-3-89

THIS FOLDER HAS BEEN  
REGISTERED ON THE  
REGISTRY SYSTEM

FROM: K SEDGWICK  
DATE: 27 December 1988

- 1. MR MICHIE
- 2. MR GILHOOLY
- 3. CHANCELLOR OF THE EXCHEQUER

- cc Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Sir Peter Middleton
- Sir Terence Burns
- Mr Monck
- Mr Scholar
- Mr Culpin
- Miss Hay
- Mr MacPherson
- Miss Pollock
- Mr Flanagan

*Mr Michie  
23/12/*

*Mr Gilhooly  
23/12/*

*Many Thanks. I am not clear what X means. It means allow eg mortgage interest relief against NICs, then a low-cost simple rate package is envisaged, to make life easier for the small business, then we can look @ it.*

- PS/IR
- Mr Shaw - IR
- PS/C&E
- Ms French - C&E

**1989 BUDGET REPRESENTATIONS**

Following last year's practice I attach a summary of the budget representations received up to the end of November.

2. A summary of the main points made by the more important organisations together with a matrix is attached at Annex A. The detail provided for each organisation is not intended to be fully comprehensive but simply to highlight the major points made. Should you wish to see any of the representations in full, copies will be provided.

3. I also attach, at Annex B, a list of the subjects raised in correspondence from members of the public either directly or through their MPs and by the smaller organisations. A list of the smaller organisations is at Annex C.

4. A number of the main organisations are hoping to see saving incentives particularly with regard to investment in PEPs. The main issue being raised by members of the public is excise duty on tobacco; this is a result of the Tobacco Alliance prompting newsagents to write to their MPs asking for a freeze on tobacco tax.

5. The number of letters recieved up to the end of November are as follows:-

Main organisations	23
Small organisations	23
Members of the Public directly	35
MPs	56

6. A further update will be submitted at the beginning of January.



K SEDGWICK

LIST OF MAIN ORGANISATIONS

Association of British Insurers  
Automobile Association  
British Invisible Exports Council  
British Medical Association  
British Retailers Association  
British Vehicle Rental and Leasing Association  
Building Employers Confederation  
Centre for Policy Studies  
Chartered Association of Certified Accountants  
Chartered Institute of Management Accountants  
Confederation of British Industry  
Country Landowners Association  
Institute of Chartered Accountants  
Institute of Chartered Accountants of Scotland  
International Stock Exchange  
Law Society of Scotland  
National Farmers Union  
National Federation of Self-Employed and Small Businesses  
Royal Institution of Chartered Surveyors  
Scotch Whisky Association  
Scottish Landowners Federation  
Society of Conservative Accountants  
Tobacco Advisory Council

Association of British Insurers

Authorised insurers be allowed to receive interest income free of deduction at source.

Align timing of tax repayments to occupational and insured pension schemes.

Abolish stamp duty and SDRT on securities.

Technical points on the taxation of companies and individuals.

Automobile Association

Freeze VED, petrol duty.

Further tax concessions for the use of lead free petrol and for cars which run on lead free fuel.

Propose that the taxation of company cars should be based on an agreed standard value.

British Invisible Exports Council

Abolition of stamp duty and SDRT on securities.

More relaxed treatment of unrelieved ACT.

Reduction on conditions applying to writing down allowances for export leases.

British Medical Association

Increase excise duty on tobacco.

British Retailers Association

Harmonisation of duty rates on sparkling and still wines.

Extension of duty deferment by 4 weeks.

Removal of requirement for bank guarantees for duty deferment.

Removal of restrictions on tobacco clearances before Budget.

### British Vehicle Rental and Leasing Association

Abolish capital allowance limits for private cars. De-pooling of private cars for capital allowance purposes. Ease restrictions on deductibility of lease rentals on private cars.

Car benefit in kind scales - adjustments to the system to remove anomalies, or an alternative system based solely on the price of a vehicle. The phased abolition of special car tax to bring UK into line with the rest of Europe. No change in VAT treatment for second-hand cars.

### Building Employers Confederation

Tax incentives for investment of inner cities as outlined in the booklet entitled "Reviving Britain's Inner Cities: Tax Incentives for Urban Regeneration".

### Centre for Policy Studies

- CGT roll-over relief should be available for personal portfolio reinvestment on the same basis as that enjoyed by institutions.
- ceiling on tax allowable pension contributions for a single <sup>individual</sup> should be £3,000.
- encourage ESOPS.
- PEPs - simplify rules and raise ceiling to £10,000.

### Chartered Association of Certified Accountants

NICS - comprehensive review of structure and base needed; in meantime exemption and concessions available for income tax should be available for NICS also.

Small Companies - special concessions for small companies to allow them to set up non-distributable reserves; double upper and

lower Corporation Tax limits to which small companies rate applies.

Close companies - abolish apportionment rules.

The demerger rules should be simplified.

Personal pension contributions should be deductible against all taxable income, and the existing percentage limits on amounts deductible should be increased.

PEP rules should be changed to allow for tax relief on the amounts invested, on the lines of the business expansion scheme, rather than on the income and gains from investment.

The rules on trading by charities should be relaxed and clarified.

### The Chartered Institute of Management Accountants

Writing down allowances - suggest 25% straightline system with £10,000 de minimis limit below which assets could be written off in year of acquisition. Intangible assets such as copyrights and brand names etc should be eligible for WDA.

Industrial building allowances should also be given on commercial buildings.

Advance Corporation Tax - restrictions of ACT offset should be removed and 100% relief given against mainstream corporation tax.

Capital Gains Tax - corporate group treatment should be allowed as with revenue gains and losses.

Share ownership - PEPs tax free limit should be increased to range of £10,000 - £15,000 per annum.

VAT - ease rules for donations to universities and other educational estates.

### Confederation of British Industry

Long series of technical representations under the broad headings of "competitiveness" and "burdens on business".



### Country Landowners Association

Specific relief should be available for land sold or leased cheaply to Housing Associations.

Numerous technical representations.

### Institute of Chartered Accountants

Urge comprehensive review of anti-avoidance legislation.

Relax and simplify close company rules.

All interest paid, whether long or short, and whether for trading or investment, should be treated as an allowable expense.

Align PAYE and NICS rules.

### Institute of Chartered Accountants of Scotland

Relieve individual's trading losses against Capital Gains.

Extend relief for Companies' trading losses to all types of future profits.

Revalorise the definition of expensive cars.

Extend Widows' Bereavement Allowance to widowers.

Introduce a time limit for the associated operations rule in inheritance tax.

Remove an inheritance tax anomaly: woodlands excluded from PET.

### International Stock Exchange

Tax relief on new share investment.

Tax relief for first two years PEPs investment.

Roll-over relief for CGT purposes on change of investment.

Abolish or make technical changes to stamp duty on securities.

### Law Society of Scotland

Income Tax:

Farmers - repeal 6 year test,

**Trusts** - treat income of trusts for benefits of mentally disabled as if it were the income of the beneficiary; adjustments to the rules for treating accrued income and trusts and estates of deceased persons.

**Capital Gains Tax:** - introduce a new hold-over relief to enable property to pass under an arrangement or decree following separation where the disposal takes place within one year.

Any gain arising on valuation should be fixed at the date when beneficiary becomes entitled to the assets, and trustees to be absolved from all personal liability to unpaid CGT.

**Inheritance Tax** - enact premature death rules for agricultural property similar to those for commercial property.

- culmination period should be simplified to a standard 7 years throughout.
- relax rules where property is gifted then leased back.

### National Farmers Union

**Capital allowances**

- 100% allowance on first £20,000 of investment in plant and machinery.
- 10% Agricultural Building Allowance to be reinstated.
- where assets acquired with the benefit of rollover or gifts relief, they should be treated as acquired at actual market value for indexation purposes.

The NFU also make a number of technical representations.

### National Federation of Self-Employed and Small Businesses

Interest rates - should be a two-tier system of interest which would take account of borrowing needs of commerce. Businesses in Belgium, France, Germany and Spain are able to draw on special low rate loan schemes whereas UK loan Guarantee Scheme is 2.5% above bank lending rate.

Pensions - tax relief should be allowed for notional pension premiums where small businessmen opt to retain "premiums" in their business. If "Pension Suspense Account" not paid to an Assurance company at retirement, tax claw-back applies.

Taxation appeal costs - should be provision for costs to be awarded to the taxpayer in the event of a successful appeal (i.e. put direct tax on same basis as VAT).

### Royal Institution of Chartered Surveyors

Capital Allowances - extend to cover all commercial buildings.

Inheritance Tax - special treatment for sites of special scientific interest.

Stamp Duty - increase and index allowances for houses, and tax only that part of value above allowance.

### Scotch Whisky Association

Further and substantial moves toward taxing all drinks equally on the basis of their alcoholic strength (the 'per degree' approach);  
Introduce a statutory maturation allowance for Corporation Tax purposes;

Increase the period of duty deferment from four to eight weeks.

### Scottish Landowners' Federation

Changes in Forestry - look again at transitional period and allow more time for writing-off of capital expenditure already undertaken. Object strongly to retrospective element of change.

Review Inheritance Tax relating to gifts with reservation of benefit, and introduce marginal relief or de minimis rules.

Welcome the proposed VAT changes which will permit agricultural landlords to tax rents.

#### Society of Conservative Accountants

PEPs rules should be revised substantially, investment of capital under a PEP should itself attract income tax relief.

ESOPS should be brought into line with PEPs changes making contributions allowable against income tax; any gains should be exempted from CGT and Income Tax.

Capital gains should be taxed at a lower rate than income.

Standardise NICs and Income Tax rules.

100% capital allowance available in year of acquisition for anti-pollution equipment.

BES relief to be extended to investment in companies offering co-ownership and shared equity schemes catering for first time buyers.

The SCA also made general technical representations.

#### Tobacco Advisory Council

Freeze excise duty on tobacco.

Association  
of British  
Insurers

Automobile  
Association

British Invisible  
Exports Council

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PERSONAL TAX

Taxation of  
company cars  
should be  
based on agreed  
standard value

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STAMP DUTY

Abolish stamp  
duty and SDRT  
on securities

Abolish stamp duty and  
SDRT on securities

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CGT

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IHT

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CT AND  
BUSINESS  
TAX

Allow authorised  
insurers to receive  
income from interest  
free of deduction at  
source. Parity of tax  
treatment between  
occupational/insured  
pension schemes

Relax treatment of  
unrelieved ACT

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CAPITAL ALLOWANCES

Reduction on conditions  
applying to writing-down  
allowances for export  
leases

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BES

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VAT

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EXCISE DUTY

No increase on VED,  
petrol duty and  
special car tax.  
Additional tax  
concessions for use  
of lead free petrol  
and for cars which  
run on lead free  
petrol

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BETTING AND GAMING

	British Medical Association	British Retailers Association	British Vehicle Rental and Leasing Association
PERSONAL TAX			Car scales to be based on vehicle price
STAMP DUTY			
CGT			
IHT			
CT AND BUSINESS TAX			
CAPITAL ALLOWANCES			Abolish restrictions on allowances for private cars
BES			
VAT			<u>No</u> change for second-hand cars scheme
EXCISE DUTY	Increase excise duty on tobacco	Harmonise duty rates on sparkling/ still wines. Extend duty deferment from 4 to 8 weeks. Remove restrictions on tobacco clearances before Budget	Phased abolition of car tax

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PERSONAL TAXSimplify PEPs  
rules and increase  
ceiling. Encourage  
ESOPsPEPs tax relief to  
be allowed on investment  
rather than on income/  
gains

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STAMP DUTY

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CGTRoll-over relief  
for personal  
portfolio  
reinvestment

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IHT

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CT AND  
BUSINESS  
TAXTax incentives  
for urban  
regenerationSimplify de merger  
rules. Double upper/  
lower corporation tax  
limit for small  
companies. Close  
companies - abolish  
apportionment rules

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CAPITAL ALLOWANCES

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BES

---

VAT

---

EXCISE DUTY

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BETTING AND GAMING

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PENSIONS£3,000 ceiling  
for tax-allowable  
pension contributionsIncrease ceiling for  
tax-allowable pension  
contributions

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CHARITIESRelax and clarify  
rules on trading by  
charities

Chartered  
Institute of  
Management  
Accountants

CBI

Country  
Landowners  
Association

Institute of  
Chartered Accountants

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PERSONAL TAX

Increase PEP  
limit to £10,000  
- £15,000

Treat land-  
rental income  
as trading  
income. New  
incentives  
for land-  
owners selling  
land to  
Housing  
Associations

Align income tax and  
NICs rules with regard  
to "allowable expenses"

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STAMP DUTY

---

CGT

---

IHT

---

CT AND  
BUSINESS  
TAX

Remove ACT off-set  
restrictions.  
Allow 100% relief  
against mainstream  
corporation tax

Relax and simplify  
close company rules.  
All interest paid  
should be treated  
as allowable expense.  
Comprehensive review  
of anti-avoidance  
legislation

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CAPITAL ALLOWANCES

Adopt 25% straight  
line system. £10,000  
de minimus limit under  
which assets written  
off in year of  
acquisition

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BES

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VAT

Ease rules for  
donations to  
educational  
establishments

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EXCISE DUTY

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BETTING AND GAMING



Institute of  
Chartered  
Accountants  
Scotland

International Stock  
Exchange

Law Society  
of Scotland

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PERSONAL TAX

Extend widows  
bereavement  
allowance to  
widowers. Repeal  
additional rate  
tax charge on  
income of  
protective trusts  
for mentally  
disabled

Tax relief on new  
share investment.  
Tax relief for first  
two years PEPs investment.

Farmers - repeal  
6 year test. Treat  
income of trusts for  
benefits of mentally  
disabled as if income of  
beneficiary

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STAMP DUTY

Abolish or make technical  
changes to stamp duty and  
SDRT on dealings in  
securities

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CGT

Relieve  
individual's  
trading losses  
against capital  
gains.

Rollover relief on change  
of investment

Introduce new hold-over  
relief for property.  
Any gain on valuation  
should be fixed at  
date when beneficiary  
entitled to assets.  
Trustees to be  
absolved from all  
personal liability to  
unpaid CGT

---

IHT

Introduce time  
limit for associated  
operations rule.  
Remove anomaly -  
Woodlands excluded  
from Potentially  
Exempt Transfer  
Rules

Treat agricultural and  
commercial property  
on same basis.  
Simplify cumulative  
period to standard  
7 years

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CT AND  
BUSINESS  
TAX

Extend relief for  
companies trading  
losses to all  
types of future  
profits

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CAPITAL ALLOWANCES

---

BES

---

VAT

---

EXCISE DUTY

---

BETTING AND GAMING

National Farmers  
UnionNational  
Federation  
of Self-  
Employed and  
small  
BusinessesRoyal Institute  
of Chartered  
SurveyorsScotch Whisky  
Association

## PERSONAL TAX

Tax relief  
for notional  
pensions  
premiums where  
small businessmen  
opt to retain  
premiums in own  
business. Taxation  
appeal costs to be  
awarded to appellant  
if successful

## STAMP DUTY

Increase and  
index allowances  
for houses and  
tax only value  
above allowance

## CGT

## IHT

Special treatment  
for sites of  
scientific interest

CT AND  
BUSINESS  
TAX

Introduce statutory  
maturation allowance  
for Corporation Tax

## CAPITAL ALLOWANCES

100% allowance  
on first £20,000  
investment in plant/  
machinery. Reinstate  
10% agricultural  
Building Allowance.  
Assets acquired with  
rollover or gifts  
relief should be treated  
as acquired at market  
value for indexation

Extend to all  
commercial  
buildings

## BES

## VAT

## EXCISE DUTY

Tax all drinks equally  
on basis of alcoholic  
strength. Extend duty  
deferral from 4~~6~~8  
weeks

## BETTING AND GAMING

## PENSIONS

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**PERSONAL TAX**

Upfront relief for investment in PEPs. Also relief for SAYE savings by employees in share option schemes. Tax gains at lower rate than income

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**STAMP DUTY****CGT**

Tax at lower rate than income

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**IHT**

Review treatment of gifts. Introduce marginal relief or de minimus rules

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**CT AND  
BUSINESS  
TAX****CAPITAL ALLOWANCES**

Forestry - allow more time for writing off capital expenditure already undertaken. Object to retrospective element of last year's changes

100% in year of acquisition for anti-pollution equipment

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**BES**

Extend relief to investment in companies offering co-ownership and shared equity schemes for first time buyers

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**VAT**

Welcome proposed changes permitting agricultural landlords to tax non-domestic rents

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**EXCISE DUTY**

Freeze duty on tobacco

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**BETTING AND GAMING**

## ANNEX B

MAIN ISSUES RAISED IN CORRESPONDENCE FROM MPs, MEMBERS OF THE  
PUBLIC AND MINOR ORGANISATIONS UP TO 30 NOVEMBER 1988

SUBJECT	NO
<b>INCOME TAX</b>	
: reduce basic rate	6
: freeze basic rate	2
: reduce higher rate	3
: increase thresholds	1
: more concessions for the elderly	1
: miscellaneous	7
<b>VALUE ADDED TAX</b>	
: raise threshold	1
: EC infraction - implementation of judgement	2
: <del>against extending VAT to books</del>	4
: miscellaneous	6
<b>TOBACCO</b>	
: freeze excise duty	44
: increase excise duty	8
: miscellaneous	2
<b>ALCOHOL</b>	
: freeze excise duty	3
: increase excise duty	2
: reduce duty on low alcohol, beers and wines	1
<b>COMPANY TAXATION</b>	
: increase capital allowances	7
: abolish capital allowances	1
: Business Expansion Scheme	3
: reduce corporation tax	1
: miscellaneous	2
<b>FORESTRY</b>	
: tax relief	6
<b>SAVINGS</b>	
: personal equity plans	1

SUBJECT	NO
<b>DOMESTIC HELP</b>	
: tax relief for	1
<b>TRAINING</b>	
: tax relief for employees undertaking training or further education	2
<b>TAX RELIEF</b>	
: miscellaneous	1
<b>BENEFITS IN KIND</b>	
: increase £8,500 threshold	1
<b>STAMP DUTY</b>	
: abolish	1
<b>CGT</b>	
: concessions for the elderly	2
: miscellaneous	8
<b>INHERITANCE TAX</b>	
: miscellaneous	6
<b>UNLEADED PETROL</b>	
: concessions for	2
<b>VED</b>	
: freeze	1
<b>CAR TAX</b>	
: abolish	1
: miscellaneous	3
<b>COMPANY CARS</b>	
: increase scales	1
: miscellaneous	1
<b>BETTING DUTY</b>	
: reduce	1
: miscellaneous	1
<b>TAX CONCESSIONS TO ASSIST MUSEUMS AND GALLERIES:</b>	
	1

SUBJECT	NO
<b>PENSIONS</b>	
: improve accrual rates	1
: align treatment of benefits from occupational schemes and personal pensions	1
: miscellaneous	2
<b>THE ECONOMY</b>	
: reduce interest rates	2
: restrict credit	1
<b>NEW TAX FOR PAPER:</b>	1
<b>CHILD BENEFIT</b>	
: miscellaneous	1
<b>SUBSIDISED MORTGAGES</b>	
: higher taxation of	1
<b>TV LICENCES</b>	
: concessions for the elderly	2
<b>INCREASE EXPENDITURE ON NHS:</b>	1

**LIST OF SMALLER ORGANISATIONS**

British Aggregate Construction Materials Industries

British Heart Foundation

British Property Federation

Business in Sport

Central Association of Agricultural Valuers

Friendly Societies Liaison Committee

Gin Rectifiers and Distillers Association

Historic Houses Association

NAC Rural Trust

National Art Collections Fund

National Federation of Retail Newsagents

Occupational Pension Schemes Joint Working Group

Royal College of General Practitioners

Royal College of Physicians

Royal College of Psychiatrists

Royal College of Radiologists

Royal College of Surgeons of England

Royal Pharmaceutical Society of Great Britain

Rural Development Commission

Scottish Trades Union Congress

Society of Health Education Officers

Timber Growers United Kingdom

Zettlers Group Plc

FROM: K SEDGWICK  
DATE: 5 January 1989

- 1. MISS HAY
- 2. MR GILHOOLY
- 3. CHANCELLOR OF THE EXCHEQUER

- cc
- Chief Secretary
  - Financial Secretary
  - Paymaster General
  - Economic Secretary
  - Sir Peter Middleton
  - Sir Terence Burns
  - Mr Anson
  - Mr Wicks
  - Mr Monck
  - Mr Scholar
  - Mr Culpin
  - Mr Michie
  - Mr Macpherson
  - Miss Pollock
  - Mr Flanagan
  - Mrs Chaplin
  - Mr Tyrie
  - Mr Call

*Handwritten notes in red ink:*

What will be the cost of X (paymaster)

What will be the cost of a

What will be the cost of a

- PS/IR
- Mr Shaw - IR
- PS/C & E
- Ms French - C & E

**1989 BUDGET REPRESENTATIONS**

I attach a summary of the main representations received in December.

2. A summary of the main points made by the more important organisations together with a matrix is attached at Annex A. The detail provided for each organisation is not intended to be fully comprehensive but simply to highlight the major points made. Should you wish to see any of the representations in full, copies will be provided.

3. I also attach, at Annex B, a list of the subjects raised in correspondence from members of the public either directly or through their MPs and by the smaller organisations. A list of the more important smaller organisations is at Annex C.

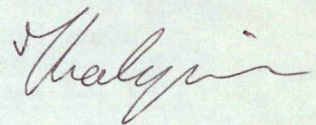
4. As you will see, tobacco duty continues to be the most popular subject for correspondence and in December the number supporting a substantial increase outnumbered the 'freeze' campaign by 3 to 1.



5. The number of letters received are as follows:-

	<u>December</u>	<u>Total to date</u>
Main organisations	16	39
Small organisations	50	73
Members of the Public directly	35	70
MPs	37	93

A further update will be submitted at the beginning of February.



**K SEDGWICK**

LIST OF MAIN ORGANISATIONS

British Venture Capital Association  
Building Societies Association  
Charities VAT and Tax Reform Group  
Engineering Employers Federation  
General Council of British Shipping  
Institute of Directors  
Joint Taxation Committee of the Construction Industries Groups  
National Chamber of Trade  
Road Haulage Association Ltd  
Royal Institute of Chartered Surveyors  
Small Businesses Bureau  
Society of Motor Manufacturers and Traders  
Tenant Farmers' Association  
Unquoted Companies' Group  
Wider Share Ownership Council  
Wine and Spirit Association of Great Britain and Northern Ireland

### British Venture Capital Association

Urge encouragement of the formation and growth of new business. In long term propose abolition of CGT on unquoted shares.

For short-term, propose that managers starting or joining an unquoted company should not pay CGT on the gain on an investment of up to £120,000 in the ordinary shares of the company concerned. The company would have to be the manager's main employment for at least one year after his investment. The figure of £120,000 equates to three years' worth of BES investment. (Proposal known as "Entrepreneurs scheme".)

### Building Societies Association

Benefits in kind - propose technical changes to remove perceived anomalies in tax treatment of loans made to staff by building societies (both in relation to subsidised loans and loans on "arm's length" terms).

### Charities VAT and Tax Reform Group

#### VAT

**European Court of Justice Judgement, 21 June 1988** - Zero rating could and should be maintained on new construction undertaken by charities as part of non-business activities. Charities should not be penalised for sake of administrative convenience.

**Option for Taxation on Rented Accommodation** - Following ECJ Judgement, phase in period introduced to help construction industry. Similar measures should be applied to charities. Proposals put forward during consultation period, such as allowing charities option not to be taxed, should be reconsidered.

**1992 - Commission's Proposals for VAT approximation** - CVTRG hopes Government will continue to stand firm on its pledge to retain zero rates, including special measures targeted towards the handicapped and charities serving them in Groups 4, 14 and 16 of Zero Rate Schedule.

CVTRG hopes the Government will support amendments recently agreed by European Parliament's Economic and Monetary Affairs Committee, allowing charities to come out of exempt sector and opt for taxation on provision of goods and services at reduced rate with consequent right to recover input tax. If reduced band of VAT (0-6%) proposed by EMAC is adopted, UK Government requested to allow charities option to be taxed and to pay tax at zero rate.

**Fund Raising** - Concerned that no decision taken on implementation of Article 13 A 1(o) of Sixth Directive, which would help charities to raise funds. Reasonable turnover limit on relief would be 10 times the current VAT registration level.

**Building Work** - Relief from VAT alterations and extensions on operational buildings run by charities.

**Advertising** - Concession for advertising in specified periodicals for educational or fund raising purposes should be extended to other periodicals such as concert programmes, annuals etc. Repeat request for relief on outdoors poster advertising.

**Medical Treatment and Research Activities** - Anomalies under Group 16, Schedule 5 of the VATA 1983 should be removed by allowing relief on all equipment used in medical research diagnosis or treatment.

**Wireless for Bedridden** - Consideration should be given to granting relief for radios and cassettes provided free of charge by charities and similar organisations.

#### **Other Fiscal Issues**

**Deposit or Loan Covenants** - Revenue should clarify practise on these.

**Covenant Form** - R185 tax certificate should be simplified and amalgamated into the covenant form. Deeds of low value should no longer require a witness (suitable cut-off point would be £208, ie £4 per week).

**Single Donation Deductibility** - Further consideration and support should be given to proposals to give tax relief on single donations under a certain size to charities, notwithstanding that covenant reliant charities might suffer in the short-term.

X ] Payroll Giving Scheme - Concerns that inherent complication of using agencies is affecting the benefit of the scheme. Limit of £240 per annum is a disadvantage and creates artificial barrier - no limit ideal but otherwise much higher limit (say £2,400).

Engineering Employers' Federation

Propose that full up front tax relief should be made available for all investment expenditure.

General Council of British Shipping

Propose measures to encourage investment in either new or good-quality second-hand ships:

- a first year "ship" capital allowance of 50%;
- improved terms for roll-over relief for balancing charges on sale of old ship and (delayed) purchase of new ship;
- a mechanism for reducing wage costs by exempting seafarers from PAYE and NIC or returning to shipowners the tax and National Insurance contributions they deduct from seafarers' wages.

Institute of Directors

The IOD have categorised their long series of representations into four themes:-

- i. keeping up the momentum of tax reductions;
- ii. the capital dimension of prosperity;
- iii. the privatisation of welfare spending through tax relief or other financial incentives;
- iv. national insurance and personal pensions.

The IOD also make numerous technical representations.

Joint Taxation Committee of the Construction Industries Groups

Income tax

- increase thresholds rather than cut rates

Corporation tax

- propose reform of structure including abolition of schedular system;
- alignment of CGT rules for group losses with income rules;
- lengthening of marginal range for small companies CT rates
- apply inflation adjustment to taxable profits base when RPI exceeds 5%.

Capital Allowances

- Industrial buildings allowances should also be given on commercial buildings.

Company cars

- reduce high mileage threshold from 18,000 to 12,000 miles;
- abolish the restriction on capital allowances for "expensive" company cars.

Benefits in kind

- threshold be raised from £8,500 to £15,000 on compliance grounds

MIRAS

- raise ceiling to £40,000.

Stamp Duty

- raise ceiling to £60,000 for houses etc;
- agree with IR's suggestion in consultative document to reduce ownership test for Intra-Group Transfers from 90% to 75%.

PAYE/NICS

- propose study of the possibility of integrating PAYE and NIC.

Inheritance Tax

- lower rate on the first slice;
- higher exemption limit.

CGT

- introduce option to have gains or assets acquired before April 1982 time apportioned on the lines of the 1965 treatment;

## Double Taxation Relief

- remove unfair advantage to non-residents, ie only residents holding investments in UK land and buildings pay CGT on subsequent disposal of that property.
- averaging of overseas taxation for UK Double Taxation Relief;
- Unilateral Double Taxation credit relief for foreign tax spared;
- UK Double Taxation credit relief for overseas tax imposed on a turnover basis as a substitute for tax on profits;
- extension of the principle of s.124 ICTA 1988 to all interest on approved borrowing.

## VAT

- propose common starting date 1.8.89 (at the earliest) for implementation of VAT measures on non-domestic construction (ie - (a) standard rating and (b) introduction of options for taxation) to allow industry and customers sufficient time to prepare;
- reduce 15% VAT rate on repair and improvement work carried out on existing housing stock.

## National Chamber of Trade

## VAT

- no increase in level;
- keep only one positive rate;
- zero-rating provisions should be retained;
- raise registration threshold to highest permissible level;

Benefits in kind

- increase PIID threshold from £8,500 to £15,000;
- increase tax free allowance for Luncheon vouchers from 15p to £1.50 per day.
- wider scope of rules to bring in hairdressing, travel concessions, free coal etc.

Corporation Tax

- uplift thresholds of £100,000 and £500,000 small companies relief;
- allow small businesses to make tax free reserves for investment.

Capital Allowances

- extend 4% writing down allowance to retail stores and commercial buildings.

Compliance costs

- recommend that where an in-depth investigation by the IR results in payment by the taxpayer of no more or little more tax, the IR should reimburse to the taxpayer the additional costs involved in furnishing the required information;
- recommend that Tax Commissioners should be empowered to award costs to the taxpayer in the case of a successful appeal.

Income Tax

- increase thresholds;
- additional tax relief for pensioners' investment income;
- allow BES-type relief to proprietors investing in own business.

Recommend that some form of tax relief/inducement should be considered to increase the mobility of labour.



NIRP

- increase retirement pension by more than RPI increase.

Local Rates

- LA expenditure dictated by central Government should be paid out of central taxes.

### Road Haulage Association Ltd

Capital Allowances

- propose 100% allowance on investment up to £50,000 (restricted to unincorporated businesses and companies taxed at the small companies' rate).

Corporation Tax

- increase threshold for small companies from £100,000 to £250,000;
- propose standard rate for Corporation Tax of 25%.

VED

- no increase in level for 'special types' vehicles.

### The Royal Institution of Chartered Surveyors (additional rep)

Paragraph 46 of Schedule 19 of Finance Act 1986, should be amended so that where a deferred estate duty charge exists in respect of growing timber, the chargeable transfer under Inheritance Tax should be limited to the transfer of the woodland and not the whole transfer as the current rules appear to imply.

### Small Business Bureau

BES

- reduce time requirement for holding shares from 5 to 3 years;
- allow investors to be paid for advice;
- small companies investments in leasing premises should qualify for BES relief.

CGT

- allow gains arising on the sale of assets to be rolled over if the proceeds are reinvested in shares in unquoted companies;
- allow entrepreneurs BES relief or relief from CGT on funds invested in a company which is their full-time employment.

Extend the Small Firms Loan Guarantee Scheme and increase the limit to £100,000.

In the long term the SBB would like to see the abolition of CGT and Inheritance Tax, particularly in respect of unquoted businesses.

Repeat proposal for introduction of an "Enterprise Bond" attracting special tax treatment.

Society of Motor Manufacturers and Traders Ltd

Company car scales

- increase by no more than rate of inflation;
- scale charges should be less for employees covering a significant business mileage than for those who use the car mainly or wholly for private travel.

Company car fuel

- no increase in scale charges for fuel benefit.

Research and Development

- welcome any incentives to help companies with R and D;
- propose relief on duty payable on fuel for engine testing.

Capital Allowances

- restore 100% first year allowance (or failing that allow depreciation at 25% per annum on a straight line basis).

VED

- reduce rate for commercial vehicles to improve UK competitive position in EC.

The SMMT also make a number of technical representations.

Tenant Farmers Association

Capital Gains Tax

- absence of retirement and roll-over reliefs deters owners from letting land.

Inheritance Tax

- relief for owner of let land should be brought into line with relief for agricultural owner/occupier at 50 per cent.

VAT

- under the proposals for landlords to be given the option of charging VAT on rents, agricultural land should be defined to include dwellings.

Income Tax

- in support of CLA proposals, interest on loans taken out to meet repair costs on agricultural estates should be allowed against taxable income of the same estates.

Smallholdings

- extension of relief from Inheritance Tax in the model of Heritage Relief should be allowed for landowners who have committed the land to the purpose of smallholdings.

Tenant Farmers

- mortgage interest relief for self-employed in "tied accommodation" should be extended to directors of farm companies.

- CGT should be taken pro rata from each of the annual payments of Government compensation in respect of reductions in milk quotas rather than charged up front on whole amount.

### Unquoted Companies' Group

UGC's representations are confined mainly to Inheritance Tax - their priority proposals are as follows:-

- reduce rate to 30%;
- business property relief should be increased to 100% for all minority holdings as well as for controlling interests;
- modify qualifying holding period for business property relief;
- replace the "aged 25 rule" for accumulation and maintenance settlements with an "aged 40 rule".

They refer to the current "wider review of trusts". Argue that aim should be to alleviate present over-taxation of trusts. Also argue against any retrospection in future legislation.

### Wider Share Ownership Council

PEPs

- repeating their 1988 recommendation, the WSOC's principal recommendation for 1989 is to encourage wider share ownership by giving up front tax relief for investment in PEP's on the same basis as MIRAS.

In addition they have recommended:

ESOPS - encourage by means of:

- i. statutory confirmation of the tax deductibility of financial contributions made by companies for the benefit of their ESOPS;
- ii. giving Employee Benefit Trusts a tax status similar to that which is enjoyed by pension funds.

Capital Gains Tax

- (subject to any necessary refinements of definition) CGT should not be levied on that proportion of the proceeds of any disposal of securities which is immediately applied to the purchase of other similar securities.

Employee Share Schemes

- companies introducing approved profit-sharing or SAYE schemes for their employees without restriction should qualify for a special remission of their liability for corporation tax.
- Current limits on shares appropriated to an employee under the FA '78 all-employee scheme should be increased by at least as much as inflation.

The Wine and Spirit Association of Great Britain and Northern Ireland

Rates of duty

Wines

- a reduction in excise duty of 15 per cent on wines exceeding 15 per cent alcohol, comparable with tax treatment of lighter wines.

Sparkling wines

- argue for reduction in duty.

Spirits

- maintain freeze on duty.

**Proposal for EEC Harmonisation of Alcohol Duties** - Association supports Commission's proposals.

**Alcohol Abuse** - Measures to tackle abuses should be targeted rather than general.

#### **Procedure for Paying Excise Duty**

The existing credit of one month for the payment of excise duties on wines and spirits should be extended. Initially this could be done by permitting clearers from bond to pay a proportion of their monthly liability in accordance with present procedure and the remainder one month later.

BRITISH VENTURE  
CAPITAL ASSOCIATION

BUILDING  
SOCIETIES

CHARITIES VAT AND  
TAX REFORM GROUP

PERSONAL  
TAX

Benefits in kind -  
change treatment  
of certain loans  
made to building  
society staff.

Tax relief to single donations  
under certain size to charities,  
Covenant forms - Deeds of low  
value should no longer need  
witness and new cut-off point of  
£208. Payroll giving scheme  
remove financial limit.

STAMP  
DUTY

CGT

New managers of unquoted  
companies to be exempt  
from CGT on an investment  
of up to £120,000 in the  
ordinary shares of the  
company

IHT

CI AND  
BUSINESS TAX

CAPITAL  
ALLOWANCES

BES

VAT

Maintain zero rating on new  
construction by charities as  
part of non-business activities.  
VAT approximation-zero rating  
should be maintained.  
Implement article 13A1(0) of 6th  
Directive. Allow charities out  
of exempt sector and opt instead  
for taxation of goods/services  
at reduced rate, with consequent  
right to recover input tax.  
Allow relief on all medical equipment.  
Relief for radios/cassettes provided  
to bedridden.

EXCISE  
DUTY

BETTING AND  
GAMING

CHARITIES

ENGINEERING  
EMPLOYERS FEDERATION

GENERAL COUNCIL OF  
BRITISH SHIPPING

INSTITUTE OF  
DIRECTORS

PERSONAL  
TAX

Introduce mechanism  
for the return to  
shipowners of the tax  
and national insurance  
contributions deducted  
from seafarers' wages.

Reduce basic rate to 23p.  
Reduce higher rate by  
5 points ~~to~~ reach one point  
of basic rate cut.  
Raise thresholds by more  
than statutory indexation.  
Abolish all tax limits on  
pension payments.

STAMP  
DUTY

CGT

*Reduce CGT rate*

IHT

Raise threshold to  
£200,000.  
Reduce rate to 30 per cent.

CT AND  
BUSINESS  
TAX

100% up-front relief  
for investment  
expenditure.

Improved terms for  
roll-over relief  
for balancing charges.

Reduce corporation Tax.  
Extend small profits  
rate of Corporation Tax  
to first £100,000.

CAPITAL  
ALLOWANCES

Introduce a first year  
ship allowance of 50%

BES

VAT

Increase threshold to  
£50,000.  
Resist European Commission  
pressure for extensions in the  
coverage of VAT.

EXCISE  
DUTY

Freeze duty on alcohol  
and tobacco.

BETTING  
AND  
GAMING



JOINT TAXATION COMMITTEE  
OF THE CONSTRUCTION  
INDUSTRIES GROUPS

NATIONAL CHAMBER  
OF TRADE

ROAD HAULAGE ASSOCIATION  
LTD

PERSONAL  
TAX

Increase thresholds.  
Increase Benefits in kind  
threshold to £15,000.  
Integrate PAYE/NICs

Increase thresholds.  
Additional tax relief  
for pensioners savings.  
Increase Benefits in kind  
threshold to £15,000

STAMP  
DUTY

Raise ceiling for houses  
to £60,000

CGT

Introduce option to have  
gains or assets acquired  
before April 1982 time-  
apportioned on the lines of  
the 1965 treatment

IHT

Lower rate on first slice.  
Higher exemption limit

CT AND  
BUSINESS  
TAX

Review CT structure.  
Lengthen marginal range  
of CT for small companies

Raise small companies  
CT thresholds

Increase small companies  
threshold to £250,000.  
Introduce standard rate of  
Corporation Tax of 25%

CAPITAL  
ALLOWANCES

Extend <sup>IBA</sup> to commercial  
buildings

Extend to commercial  
buildings and retail  
stores

Introduce 100% allowance on  
investment up to £50,000

BES

VAT

Reduce rate for work  
carried out on existing  
housing stock

No increase in level.  
Raise registration threshold.  
Zero rating provision should  
be retained

EXCISE  
DUTY

No increase in level for  
'special types' vehicles

BETTING  
AND  
GAMING

PERSONAL  
TAX

Increase company car  
scales by no more than  
inflation.  
No increase in scale  
charges for fuel  
benefit

STAMP  
DUTY

CGT

Allow gains arising  
on the sale of assets  
to be rolled over if  
proceeds are re-invested  
in unquoted companies.  
In long term abolish CGT  
for unquoted businesses.

IHT

Deferred estate duty  
change in respect of  
growing timber should  
be limited to the transfer  
of the woodland and not  
the transfer of the whole  
estate.

In long term abolish  
IHT for unquoted  
businesses

CT AND  
BUSINESS  
TAXCAPITAL  
ALLOWANCES

Restore 100% first  
year allowance (or  
depreciation at 25%  
p.a. on a straight  
line basis)

BES

Reduce time requirement  
for holding shares from  
5 to 3 years.  
Allow investors to be  
paid for advice.  
Support BVCA - type  
*scheme* for entrepreneurs

VAT

EXCISE  
DUTY

Reduce VED rate for  
commercial vehicles.

BETTING  
AND  
GAMING

TENANT FARMERS  
ASSOCIATION

UNQUOTED COMPANIES  
GROUP

WIDER SHARE OWNERSHIP  
COUNCIL

PERSONAL  
TAX

Interest on loans to meet repair costs on agricultural estates should be allowed against taxable income of the same estate.  
Extend MIR to Directors of farm companies living in "tied" accommodation

Grant up-front tax relief for investment in PEPs, Statutory confirmation of tax-deductibility of financial contributions made by companies to their ESOPs. Grant Employee Benefit Trusts tax status similar to pension funds,

STAMP  
DUTY

Introduce retirement/roll-over reliefs for agricultural landlords  
Profile of payments of CGT on milk quota compensation should follow profile of payments

CGT should not be levied on that proportion of proceeds of any disposal of securities which is immediately used for purchase of similar securities

IHT

Align relief for owner of let land with relief for owner/occupier. Extend relief from IHT for owners of land committed to smallholdings

Reduce rate to 30%.  
Increase Business Property Relief to 100% and modify qualifying period. Replace 'aged 25 rule' for accumulation & maintenance Settlements with 'aged 40' rule

CT AND  
BUSINESS  
TAX

Companies introducing approved profit sharing or SAYE schemes for employees without restriction, should qualify for remissions of their liability to corporation tax

CAPITAL  
ALLOWANCES

BES

VAT

Option to charge VAT on rents should be extended to dwellings on agricultural land

EXCISE  
DUTY

BETTING  
AND  
GAMING

WINE AND SPIRIT  
ASSOCIATION OF  
GB AND NI

---

PERSONAL  
TAX

---

STAMP  
DUTY

---

CGT

---

IHT

---

CT AND  
BUSINESS TAX

---

CAPITAL  
ALLOWANCES

---

BES

---

VAT

---

EXCISE  
DUTIES

Spirits - freeze duty  
Sparkling wines - reduce duty  
Wines - reduce duty on wines  
of over 15% alcohol in line  
with lighter wines.  
Extend duty and deferment period.

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BETTING  
AND  
GAMING

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## ANNEX B

MAIN ISSUES RAISED IN CORRESPONDENCE FROM MPs, MEMBERS OF THE  
PUBLIC AND MINOR ORGANISATIONS

SUBJECT	<u>December</u>	<u>Total to date</u>
<b>INCOME TAX</b>		
: reduce basic rate	-	6
: freeze basic rate	-	2
: reduce higher rate	-	3
: increase thresholds	2	3
: more concessions for the elderly	6	7
: miscellaneous	5	12
<b>VALUE ADDED TAX</b>		
: raise threshold	-	1
: EC infraction - implementation of judgement	-	2
: against extending VAT to books	2	6
: concessions for charities	1	1
: miscellaneous	4	10
<b>TOBACCO</b>		
: freeze excise duty	21	65
: increase excise duty	61	69
: miscellaneous	-	2
<b>ALCOHOL</b>		
: freeze excise duty	-	3
: increase excise duty	1	3
: reduce duty on low alcohol, beers and wines	-	1
<b>COMPANY TAXATION</b>		
: increase capital allowances	3	10
: abolish capital allowances	-	1
: Business Expansion Scheme	1	4
: reduce corporation tax	2	3
: miscellaneous	2	4
<b>FORESTRY</b>		
: tax relief	2	8
<b>SAVINGS</b>		
: personal equity plans	-	1
: tax relief	2	2

SUBJECT	<u>December</u>	<u>Total to date</u>
<b>DOMESTIC HELP</b>		
: tax relief for	-	1
<b>TRAINING</b>		
: tax relief for employees undertaking training or further education	-	1
<b>TAX RELIEF</b>		
: miscellaneous	1	2
<b>BENEFITS IN KIND</b>		
: increase £8,500 threshold	1	2
<b>STAMP DUTY</b>		
: abolish	-	1
: miscellaneous	1	1
<b>CGT</b>		
: concessions for the elderly	-	2
: miscellaneous	4	12
<b>INHERITANCE TAX</b>		
: increase threshold	1	1
: miscellaneous	3	9
<b>UNLEADED PETROL</b>		
: concessions for	4	6
<b>VED</b>		
: freeze	-	1
<b>CAR TAX</b>		
: abolish	-	1
: miscellaneous	-	3
<b>COMPANY CARS</b>		
: increase scales	-	1
: miscellaneous	1	2
: reduce high mileage threshold	1	1
<b>BETTING DUTY</b>		
: reduce	3	4
: miscellaneous	-	1
<b>TAX CONCESSIONS TO ASSIST MUSEUMS AND GALLERIES:</b>		
	-	1

SUBJECT	<u>December</u>	<u>Total to date</u>
<b>MORTGAGE INTEREST RELIEF</b>		
: increase threshold	1	1
<b>ENVIRONMENTAL ISSUES:</b>	1	1
<b>PETROLEUM REVENUE TAX:</b>		
: reduce burden	1	1
: miscellaneous	2	2
<b>PENSIONS</b>		
: improve accrual rates	-	1
: align treatment of benefits from occupational schemes and personal pensions	-	1
: miscellaneous	-	2
<b>THE ECONOMY</b>		
: reduce interest rates	-	2
: restrict credit	-	1
<b>NEW TAX FOR PAPER:</b>	-	1
<b>CHILD BENEFIT</b>		
: miscellaneous	-	1
<b>SUBSIDISED MORTGAGES</b>		
: higher taxation of	-	1
<b>TV LICENCES</b>		
: concessions for the elderly	-	2
<b>INCREASE EXPENDITURE ON NHS:</b>	1	2
<b>INCREASE PUBLIC SPENDING:</b>	1	1

LIST OF SMALLER ORGANISATIONS

Action on Smoking and Health (ASH)  
Alliance and Leicester Building Society  
Association of Anaesthetists of GB and NI  
Association of British Independent Oil Exploration Companies  
Best Investment Publishing Company Ltd  
British Chemical Engineering Contractors Association  
British Printing Industries Federation  
British Tourist Authority  
Conoco (UK) Ltd  
Electronic Engineering Association  
Federation of British Electrotechnical and Allied Manufacturers'  
Associations  
Frenchay Health Authority  
Imperial Cancer Research Fund  
Institute of Actuaries  
Lansing Bagnall Ltd  
National Childrens Home  
Pipemokers Council  
Provident Mutual  
Robert Fleming Holdings Ltd  
Royal College of Obstetricians and Gynaecologists  
Royal College of Physicians  
Royal College of Physicians and Surgeons of Glasgow  
Royal Pharmaceutical Society of Great Britain  
Scottish Committee Action on Smoking and Health  
Zetters plc



*A good letter,  
to Wh. I will have  
to make a copy up.  
Per calculate as appropriate.  
all.*

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
H M Treasury  
Parliament Street  
London  
SW1P 3AG

12th January 1989

*Ch* cc PS/CST

*This was writing form when we  
got back from the house. X and Y  
candidates for CST's wind-up?*

*Don't  
understand  
PSR  
explain*

Dear Nigel

*Judith Chaplin is checking full reports  
to see what Brown bases his claim on,  
if anything. She will also have a word  
with Hoskyns. M.P.W.*

You have, of course, received the IOD's general representations on the next Budget, but following the media reception of your public statements before the Dorneywood meeting and the reported intervention by the Governor of the Bank of England I felt I should write to emphasise some of the points we have made there.

I think we are at one in our understanding that the origins of our current economic problems - such as they are - are monetary, not fiscal, and that the appropriate response is therefore to use interest rates to tighten the monetary stance. The only note of caution I would sound is that we should always recognize that the effects of such changes on consumers' behaviour are far from instantaneous, and that these effects are not necessarily accelerated by further tightening.

What does, however, concern us is the possibility that reactions in the media, the City and elsewhere to current problems might deflect you and your colleagues from continuing with your medium term fiscal strategy of tax reform through tax reduction. Reducing the burden of taxation - giving the individual, not the State, command over resources - is a key factor in the Government's overall strategy; yet taxation as a proportion of gross domestic product is now some five points higher than when this Government came to power and has been so, consistently, over the past six years. During this period the proportion has ranged between 39.3 per cent in 1982 and 37.9 per cent in 1983. So far as we have been able to ascertain the proportion has only once previously exceeded 37 per cent (1970) since 1955, when it stood at 29.8 per cent.

We estimate that, without the reductions made in tax rates in your last year's Budget, this fiscal year's proportion would have come close to 40 per cent, and that next year's will almost certainly exceed that figure unless rates are further reduced in 1989. Those who call for a tighter fiscal stance when confronted with these figures should really be required to spell out how they can reconcile an overheating economy with a fiscal policy which by historic and international standards is already tight in the extreme, and has been for the last six years.

X | You and your team have so far managed to prevent any leakage of recent, largely uncovenanted, increases in tax revenues into increased public expenditure. But the temptation to use buoyant tax revenues as the excuse to increase departmental spending is hard to resist in the long term. I do not need to warn you of the inflationary consequences of allowing this to happen.

Y | Because you have, rightly, resisted pressures to increase public spending, buoyant tax revenues have created a substantial surplus. The effect of this surplus, whether directed towards the repayment of public debt, or simply to government consumption foregone, is increasingly being portrayed as a necessary equivalent to offset reduced saving in the personal sector.

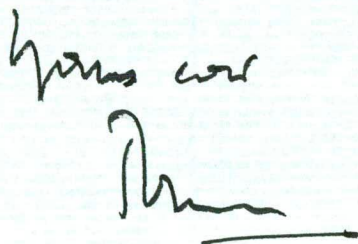
The IOD does not accept this reasoning; personal saving creates a continuing dynamic effect on the economy through the contractual obligation of the borrower to pay an agreed yield and pressure by the lender to ensure that he does so. Government consumption foregone has no such dynamizing effect. Increasing the compulsory burden of taxation in order to repay lenders who have voluntarily agreed to cede their command over resources to the Government, and might be expected to continue to wish to do so, so long as the price is right, is a similarly perverse reaction.

The correct reaction is not to allow the surplus to arise in the first place. This requires taxes to be removed, or rates to be cut. At the same time fiscal policies, from which the individual taxpayer can only infer that excessive saving is less desirable in government's eyes than excessive consumption, should be reformed. Both objects can be secured by concentrating tax reductions on those elements of the tax structure which bear hardest on saving.

A further strand of media comment has been that if there are to be any tax reductions at all they should be targeted towards less well off tax payers. Tax reductions designed to encourage savings are not incompatible with such an objective. Many, especially elderly, individuals who derive a substantial proportion of their income from savings are among the less well off. Preferential treatment of investment income is therefore as likely, or possibly even more likely, to be as accurately targeted on those in need as a universal increase in income tax thresholds. As we have indicated in our representations these benefit many individuals who have low earned incomes but are not poor in the conventional sense of the term. The best targeted tax reform to release the low paid earner from the tax/benefit trap is the change from the "slab" to "slice" treatment which we have also advocated in those representations.

No one, and least of all the IOD, would want to hazard the transformation that the present Government has made to the UK's economic position. Caution is being urged on all sides, as it always is where central economic management is concerned. But those who urge against taking action do not have a monopoly of caution. Caution can just as well be expressed in the determined pursuit of policies which are right in the face of pressure to adopt policies which are wrong.

I believe that it is important to get public thinking straight on these matters and we shall therefore be publishing this letter.

A handwritten signature in black ink, appearing to read 'John Hoskyns', with a horizontal line underneath the name.

John Hoskyns

Meeting folder

FROM: K SEDGWICK  
DATE: 26 January 1989

- 1. MR MICHIE
- 2. MR GILHOOLY
- 3. CHANCELLOR OF THE EXCHEQUER

- cc PS/Financial Secretary
- Mr Culpin
- Miss Hay
- Mr Macpherson
- Mr Flanagan
- Mrs Thorpe
- Mrs Chaplin

pwp

PS/IR  
Mr Crabb - IR

**BUDGET DEPUTATION: INSTITUTE OF DIRECTORS (IOD)**

I attach briefing for your meeting with the IOD at 6.00 pm on Monday 30 January, at No 11. Those attending will be:

Chancellor	Sir John Hoskyns
Financial Secretary	Mr Wheeler
Mr Culpin	Dr Robinson
Mrs Chaplin	

2. Sir John Hoskyns has said that the topics he would like to cover, very generally, will be:

- (i) the IOD's recommendations that recent economic developments should not rule out tax reductions;
- (ii) basic rate cut/increase thresholds;
- (iii) benefits and expenses - particularly company cars;
- (iv) National Insurance Contributions.

3. Briefing is attached on items (ii), (iii) and (iv). I have assumed that you will not require anything on (i).

K SEDGWICK  
FP Division

**ITEM II**

**CUTS IN BASIC TAX RATE/INCREASES IN TAX THRESHOLD  
(PARAGRAPH 83)**

Point at Issue

IOD say that the Budget priority should be a reduction in the basic rate; and that an increase in thresholds (by rather more than bare indexation) should be a secondary objective.

Line to Take

The Chancellor will no doubt wish to hear what the IOD have to say, without commitment.

Background

IOD put forward two arguments to support their view that basic rate cuts should have priority over threshold increases.

*only v. supply*

First, they say that basic rate cuts affect the marginal rate and thus increase incentives for everyone who pays tax at that rate, whereas threshold increases only increase incentives for those whose incomes fall between the levels of the old threshold and the new. The IOD's point about the general incentive effect of a basic rate cut is, of course, well-founded; but their comment about threshold increases fails to recognise that threshold increases benefit those on low incomes most, because the consequential increase in their net income is proportionately greatest. As a result threshold increases are more effective than basic rate reductions in floating people off income-related social security benefits and hence out of the poverty trap. Second, IOD say that the benefit from threshold increases goes largely to those who have low incomes but are not "poor" (e.g. married women working part-time, or young people living with their parents) and that basic rate cuts are a better vehicle for improving the financial position of full-time workers with family

responsibilities. This assertion is false. For taxpayers of working age almost 60 per cent of the benefit of any increase in thresholds goes to married men (and over one-third of the benefit to married men whose wives earn insufficient to pay tax). Well over 50 per cent of married men would be better off with an allowance increase than with a reduction in the basic rate costing the same.

### ITEM III

#### BENEFITS AND EXPENSES (PARAGRAPHS 75/76)

##### Points at Issue

- (a) IOD Working Party set up to review tax treatment of benefits in kind and expenses. Hope to report shortly.
- (b) Concerned that the rules are out of date and ill-suited to the sort of employment arrangements that may exist in the future e.g. self-employment/multiple part-time employment/working from home.
- (c) Any significant increase in the taxation of benefits in kind (e.g. company cars) should be matched by a reduction in general income tax rates.

##### Line to Take

- (a) Interested to hear IOD's views and look forward to their proposals.
- (b) Not clear what IOD has in mind. Expenses rules for employees and self-employed are designed to reflect fundamental differences in the nature of employment/self-employment activities. In general, employees are engaged to perform specific duties in a specific way. The object of the expenses rule for employees is to allow only those expenses which the employee has to incur out of his employment pay in carrying out those duties.

In contrast, self-employed persons have inherently more flexibility both in the nature of their income earning activities and the way in which the activities are carried out. The expenses rules for the self-employed are consistent

with this and reflect the fact that any decision over what is appropriate expenditure for a business is a matter for its own commercial judgement.

- (c) Generally accepted that car benefits scales have in the past borne little relation to true value of the private use element. After last year's increase they are now approaching more realistic levels. But the benefit is still substantially under-taxed. Tax at basic rate on the current scale for a 1600cc car is only £350 (25 per cent of £1,400) and this is halved when business mileage is at least 18,000 miles.

#### Background Note

In their technical representations the IOD have suggested that further increases in the car scales will create strong pressure for a return to a system of taxing car benefits by reference to actual private mileage and have also expressed interest in the idea of taxing company cars by reference to cost instead of the present scale charges. There is little evidence to suggest that the level of the scale charges acts as a disincentive to the provision of a company car or that there is much pressure for a return to an actual mileage basis of assessment. The present engine size system on which the scales are based has been widely accepted over the years because of its simplicity. Alternative systems (e.g. based on cost) are likely to be more complex.



ITEM IV

NATIONAL INSURANCE (PARAGRAPHS 87-91)

Levy income tax and NICs on same tax base

Impossible to align LEL and tax thresholds for everybody, since people have different allowances and reliefs. If aligned LEL with single person's or married allowance, large number of people would be disinfranchised from contributory benefits and contracted out rebate of 10 million employees would be reduced. If followed policy to logical conclusion, UEL should be abolished which IOD clearly oppose.

Levy NICs on "slice" basis like tax, rather than same rate on total earnings

IOD estimate of £1 billion cost of moving NICs to slice rather than slab basis suggests some form of withdrawable allowance. This would reduce marginal rates for a minority of employees near the 'steps' but increase marginal rates for the vast majority of low paid. Were NIC rates left unchanged, a NIC allowance would be prohibitively expensive: an allowance of £41 (the LEL) for employers and employees would cost £7½ billion. The contributory principle would be undermined, allowing people to acquire benefits in exchange for minimal contributions.

Collection by same department

NICs for employees already collected by Inland Revenue together with tax. Self-employed pay Class 2 (flat rate) to DSS to earn benefit entitlement and Class 4 (profits-related) to IR. Proposals for change have to recognise different purposes of NICs and income tax.

### Government has done much to weaken contributory principle

Government remains firmly committed to the contributory principle and has reduced Treasury Supplement from 18 per cent to current 5 per cent. Abolition will mean that all contributory benefits will be financed by contributions. Removal of employers' UEL in 1985 was fully justified in enabling simultaneous cut in employees' and employers' NICs at lower end.

### Reduction or abolition of NICs through private scheme option

Government has already provided substantial incentive to contract out of SERPS. However, widespread opting out would have major implications for the taxpayer. Contributors gain rights to long-term benefits through funding current payments to existing beneficiaries.



Permanent Secretary  
H M TREASURY

PPS

Country Next Week: Blue Arrow

I attach, as agreed,  
a further clean copy of  
the Deputy Governor's letter of  
21 February, to be passed  
on to the Prime Minister  
if requested.

SL 1/3/89

Ch

We have established that  
it is legitimate for you to  
give the Prime Minister a  
copy if she asks / you  
want to

JW - AA



Inland Revenue

Personal Tax Division  
Somerset House

FROM: B A MACE

DATE: 2 FEBRUARY 1989

PS/CHANCELLOR (MR TAYLOR)

*Thanks.  
I agree.*

**BUDGET REPRESENTATIONS: CONSERVATIVE WOMEN'S NATIONAL COMMITTEE**

1. I agreed with Miss Hay in FP Division that I would respond to the Chancellor's request for a note on the point raised by the Conservative Women's National Committee about the additional personal allowance for a married man with children whose wife is incapacitated. I am sorry I have not been able to let you have a reply before now.

Background

2. The point made by the Committee is that a married man with children whose wife is "totally incapacitated by physical or mental infirmity" qualifies for the additional personal allowance (£1,490 for 1988-89). But a married woman with children whose husband is similarly incapacitated does not qualify for the allowance.

---

cc Mr Gilhooly  
Mr K Sedgwick  
Miss Hay

Mr Painter  
Mr Lewis  
Mr Mace  
Mr Wardle  
Mr Shaw (CD)  
PS/IR

## Previous Consideration

3. The sex discrimination in this allowance to which the Committee draw attention was looked at in some detail last year in the context of Independent Taxation. I attach a copy of my submission of 1 February 1988 (covering an earlier note by Miss Dyall) which sets out the background. Very briefly:

- the allowance is an anachronism dating from a time when social security provision for the disabled was much less than it is now. (The allowance was originally part of the housekeeper allowance, now abolished);
- the qualifying test for the allowance is very strict indeed - the wife must be "totally incapacitated by physical or mental infirmity throughout the tax year". Very few disabled married women satisfy this test and we think that fewer than 10,000 husbands receive the allowance;
- wives who satisfy the "totally incapacitated" test would almost certainly qualify for a range of social security benefits introduced over the last 20 years. The "total incapacity" test is much stricter than the qualifying rules for, say, attendance allowance or severe disablement allowance.

4. Against this background our advice last year was that the sex discrimination should be dealt with by legislating so that that no new claims for the allowance would be admitted after the change to Independent Taxation. Existing claimants would have continued to get the allowance, at the level appropriate to each tax year, until they ceased to qualify, either because their children had grown up and left home or because the wife was no longer totally incapacitated. On this basis the allowance would wither away over time without any losers in real terms.

5. In subsequent exchanges (see copies attached - top copy only) there was support for this approach in principle but some Ministers (in particular the Chief Secretary) were concerned about the

Immediate presentational aspects of withdrawing the allowance and in particular about making the announcement at the same time as the new social security system was being introduced (under which the disabled were seen as losers). The possibility of converting the tax allowance into a social security benefit was considered (Mr McIntyre's note of 16 February) but this was found to be unattractive. It was therefore agreed to do nothing but for Ministers to be prepared to extend the allowance to wives of totally incapacitated husbands if they come under pressure on the sex discrimination issue. In the event the allowance was not mentioned at all in last year's Finance Bill debates.

### Present Position

6. Our view remains that the right way to deal with the sex discrimination in this allowance is to withdraw it when there is a suitable opportunity, for all new claims after a specified date. The tax system is not an appropriate vehicle for helping those with disability. The allowance could be withdrawn at any time. But if there were to be an extension of social security benefits for the disabled in the future that might provide an appropriate context. There is certainly very little case for extending the scope of an allowance which is already an anomaly and an anachronism; the practical effect of the sex discrimination in the allowance is minimal because of the very strict qualifying conditions.

7. In the meantime our advice would be to live with the anomaly and sex discrimination but for Ministers to consider extending the allowance if they come under pressure on a specific Finance Bill amendment.

8. We have considered whether an extension of the allowance might be included in the Budget as a possible "lollipop". But we would advise strongly against that. Although the cost would certainly be very small, nothing could be made of the presentation. It would seriously mislead wives with disabled husbands to imply that a new allowance was being made available to them when in practice no more than a tiny handful of husbands would satisfy the strict test of total incapacity. It would be most unattractive for substantial

Numbers of married women with disabled husbands to put in claims for the allowance only for tax offices to have to turn them down because the very strict conditions were not met. The position would be rather different if Ministers felt it right to concede an extension of the allowance in response to Finance Bill pressure. Ministers could then make clear that they were giving way in response to the views expressed on the principle of sex discrimination - if that had been the tone of the debate - but could also say that they expected the practical effect of the extension to be minimal and that married women should not be misled into thinking that a valuable new allowance was becoming available.

B A Mace

B A MACE



FROM: J M G TAYLOR  
DATE: 6 February 1989

MR MACE - IR

cc Mr Gilhooly  
Mr Sedgwick  
Miss Hay

Mr Painter - IR  
Mr Lewis - IR  
PS/IR

**BUDGET REPRESENTATIONS: CONSERVATIVE WOMEN'S NATIONAL COMMITTEE**

The Chancellor was grateful for your note of 2 February. He agrees that, at this stage, we should take no action on the additional personal allowance for a married man with children whose wife is incapacitated. If, however, Ministers come under pressure on a specific Finance Bill amendment, an extension to the allowance could then be considered.

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

J M G TAYLOR



FROM: K SEDGWICK  
DATE: 7 March 1989

1. MR MICHIE *7/3*  
2. MR GILHOLLY *2/3*  
3. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Mr Monck  
Mr Scholar  
Mr Culpin  
Miss Hay  
Mr Macpherson  
Miss Pollock  
Mr Flanagan  
Mrs Chaplin  
Mr Tyrie  
Mr Call

PS/IR  
Mr Shaw - IR  
PS/C & E  
Ms French - C & E

#### 1989 BUDGET REPRESENTATIONS

I attach a summary of the main representations received in February. This will be the last summary for the 1989 Budget.

2. A summary of the main points made by the more important organisations is attached at Annex A. As there are so few this month a matrix has not been prepared. The detail provided for each organisation is not intended to be fully comprehensive but simply to highlight the major points made. Should you wish to see any of the representations in full, copies will be provided.

3. I attach also, at Annex B, a list of the subjects raised in correspondence from members of the public either directly or through their MPs, and by the smaller organisations. A list of the more important smaller organisations is at Annex C.

4. The main issues raised by members of the public (either directly or through their MPs), this year, have been as follows -

Tobacco duty - more representations were received on tobacco duty than on any other subject. The number of letters received (365) supporting a substantial increase in duty

outnumbered the 'freeze' campaign by well over 3 to 1, although we have just received a petition from the Tobacco Alliance signed by over 330 tobacco retailers supporting a 'freeze'.

**Tax concessions for the elderly**

- Over 270 letters from pensioners asking for more tax concessions, mainly concerning the age allowance income limit.

**Personal Allowances**

- Over 200 letters supporting an increase in personal allowances.

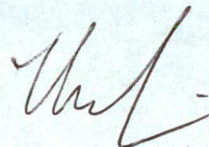
**Company cars**

- Over 200 letters from company car drivers and car outlets supporting a 'freeze' in car benefit scales.

The main organisations have been asking for a variety of measures. These have included incentives for savings, increasing personal allowances, raising the Inheritance Tax threshold and increasing the Benefits in Kind threshold.

5. The number of letters received are as follows:-

	<u>February</u>	<u>Total to date</u>
Main organisations	9	73
Small organisations	81	231
Members of the Public directly	825	1408
MPs	441	681
<b>Total</b>	<b>1356</b>	<b>2393</b>



K SEDGWICK

**LIST OF MAIN ORGANISATIONS**

Age Concern

British Invisible Exports Council

British Retailers Association

Child Poverty Action Group

Engineering Industries Association

Farmers Union of Wales

RAC

Taxpayers' Society

### Age Concern (additional representation)

- Income Tax
- Increase personal allowances
  - Convert age allowance to retirement allowance available to both men and women on reaching pension age
  - Abolish age allowance income limit
  - Concessions for pensioners' savings

### British Invisible Exports Council (Additional representation)

- Corporation Tax
- Holding companies deriving profits from foreign operations should be allowed to pay dividends without ACT and without tax credit for their shareholders.

### British Retailers Association

The British Retailers Association support the proposals put forward by the Retail Consortium and the Wines and Spirits Association of GB and NI, i.e. -

- Corporation Tax
- Reduce from 35% to 25%
  - Increase small companies lower and upper thresholds
- Capital Allowances
- Extend writing down allowance to retail and service buildings
- CGT
- Introduce Group Relief System for capital gains and losses
- VAT
- No increase in number of rates
  - Retain zero rate for food and resist EC pressure to apply positive rate to children's clothing, footwear, books, periodicals and newspapers

- Personal Taxation - Take more of those on lower incomes out of tax
- Benefits-in-kind - increase threshold from £8,500 to £30,000
- Excise Duty Rates - No increases
  - a reduction in excise duty on wines exceeding 15 per cent alcohol to put on an equal basis with lighter wines
  - maintain freeze on duty for spirits.

EC Harmonisation of Alcohol Duties - supports Commission's proposals.

Extend duty deferment period to two months: this could be phased in by permitting clearers from bond to pay a proportion of their monthly liability in accordance with present procedure and the remainder one month later.

#### Child Poverty Action Group

- Child Benefit - Increase
- NICs - Convert Lower Earnings Limit into an allowance
  - Abolish Upper Earnings Limit.
- Tax Reliefs - Reliefs should be limited to basic rate of tax.

#### Engineering Industries Association

- Inheritance Tax - Increase threshold to £250,000.
- Corporation Tax - Where mainstream Corporation Tax is not available to offset ACT then firms should be able to recover their payments.
- VAT - Ease VAT default surcharge provisions; and ease requirements for payment of VAT by importers.
- Training - Special tax relief or other incentives for firms with expansive training programmes.

- General Relief - unspecified reliefs to assist businesses with the compliance costs arising from NICs, energy, communications, health and safety and legislation.

### Farmers Union of Wales

- Income Tax - Increase personal allowances.
- Capital Allowances - Introduce a depreciation allowance for agricultural plant and machinery of £10,000 to be claimed either in the first year after purchase, or spread over five years.
- VED - No change.
- Excise Duty on petrol and diesel - No change.
- VAT - No increase in rates.
- Resist standard rating of non-domestic construction, water supplies to industry, and of the rent on non-domestic property or land (representations post-date publication of ECJ draft clauses).
- Repair and maintenance of listed buildings should be zero-rated.
- Landlords should be allowed to recover VAT paid on repairs and maintenance incurred by reason of their tenancy commitments.
- Inheritance Tax - IHT should not be applied to agricultural land.
- Increase threshold to £250,000 and introduce new bands.
- Remove seven year rule.
- Relief on permanently let land should be increased to 100%.
- CGT - Relief from CGT as follows -
- |                 |       |
|-----------------|-------|
| up to £10,000   | - Nil |
| £10,000-£20,000 | - 25% |
| £20,000         | - 40% |
- Roll-over relief should be allowed for replacement of business assets.

## NICs

- Roll-over relief on milk quotas should apply retrospectively to 1984 when the quotas were introduced.
- Reduce rates paid by employees.
- Abolish class 4 NIC's.
- Abolish P46 procedures for part-time temporary employees who are engaged for a day or less, and raise threshold for other part-time casual workers from £1 per week to £10 per week.

## Royal Automobile Club (RAC)

- |                 |   |
|-----------------|---|
| Unleaded Petrol | - Support reduction of duty but not at the expense of leaded petrol.  |
| Company Cars    | - Freeze car benefit scales.  |
| VED             | - Extend historic vehicles concessionary rate of VED to vehicles registered for more than 25 years rather than pre-1947. Harmonise treatment of cars and motorcycles. |

## Taxpayers' Society

- |                          |   |
|--------------------------|---|
| Personal Taxation        | - Introduce lower rate of income tax for the first £1000 or £1500 of taxable income.          |
|                          | - Abolish age allowance income limit.   |
| CGT                      | - Abolish CGT except for gains analagous to income arising within one year of acquisition.    |
| Inheritance Tax          | - Increase threshold.   |
| Mortgage Interest Relief | - Increase threshold to £40,000.  |
| Professional Fees        | - Tax relief for taxpayers who seek professional help for the preparation of tax returns etc. |
| Benefits in kind         | - Increase threshold to £12,500.  |
| VAT                      | - Raise registration threshold to £50,000.  |

**MAIN ISSUES RAISED IN CORRESPONDENCE FROM MPs, MEMBERS OF THE PUBLIC AND MINOR ORGANISATIONS**

<b>SUBJECT</b>	<b>February</b>	<b>Total to date</b>
<b>INCOME TAX</b>		
: more concessions for the elderly	165	273
: increase thresholds/personal allowances	126	205
: increase higher rate	57	63
: concessions for widows/war widows/widowers	32	44
: reduce basic rate	9	33
: freeze basic rate	7	22
: reduce higher rate	2	9
: increase basic rate	4	8
: miscellaneous	30	82
<b>VALUE ADDED TAX</b>		
: against extending VAT to books & newspapers	10	33
: concessions for charities	19	26
: increase rate	2	7
: EC infraction - implementation of judgement	3	7
: raise threshold	3	4
: reduce rate	6	4
: miscellaneous	8	25
<b>TOBACCO</b>		
: increase excise duty	128	365
: freeze excise duty	9	105
: miscellaneous	3	8
<b>ALCOHOL</b>		
: increase excise duty	7	24
: reduce duty on low alcohol, beers and wines	1	8
: freeze excise duty	1	4
<b>TAX RELIEF</b>		
: for private health insurance	20	29
: nursery place/creches	10	14
: forestry	2	12
: for disabled	6	11
: for private education	2	5
: for carers	2	4
: for employees undertaking further education	2	3
: miscellaneous	23	34



<b>SUBJECT</b>	<b>February</b>	<b>Total to date</b>
<b>INCENTIVES FOR SAVING</b>	32	76
<b>COMPANY TAXATION</b>		
: increase capital allowances	12	29
: reduce corporation tax	9	18
: Business Expansion Scheme	3	12
: more incentives for small companies	5	7
: increase corporation tax	-	2
: miscellaneous	17	27
<b>BENEFITS IN KIND</b>		
: increase £8,500 threshold	31	46
<b>CGT</b>		
: concessions for the elderly	13	16
: amend CGT 1988 legislation concerning Private Company Minority Shareholders	34	34
: reduce rate	3	9
: increase roll-over relief	3	6
: miscellaneous	50	73
<b>INHERITANCE TAX</b>		
: increase threshold	22	33
: abolish	12	21
: reduce rate	4	5
: miscellaneous	12	27
<b>STAMP DUTY</b>		
: abolish	17	23
: increase threshold	8	19
: miscellaneous	1	5
<b>MORTGAGE INTEREST RELIEF</b>		
: increase threshold	19	31
: limit relief to basic rate of tax	4	7
: miscellaneous	19	24
<b>ENVIRONMENTAL ISSUES:</b>	1	3
<b>PETROL PRODUCTS/FUEL</b>		
: concessions for unleaded petrol	41	78
: reduce duty on AVGAS	31	36
: increase petrol duty	9	16
: freeze petrol duty	6	9
: miscellaneous	7	12

<b>SUBJECT</b>	<b>February</b>	<b>Total to date</b>
<b>VED</b>		
: abolish	3	7
: freeze	4	5
: miscellaneous	9	12
<b>CAR TAX</b>		
: abolish	1	3
: miscellaneous	2	6
<b>COMPANY CARS</b>		
: freeze scales	190	214
: reduce high mileage threshold	14	18
: reduce scales	4	14
: introduce different scales for diesel cars	8	11
: increase scales	4	5
: miscellaneous	56	64
<b>BETTING DUTY</b>		
: reduce	2	6
: increase	-	1
<b>CHILD BENEFIT</b>		
: increase	4	8
: selective payment	3	3
: miscellaneous	-	3
<b>CHARITIES</b>		
: tax concessions to assist museums and galleries	12	13
: miscellaneous	4	4
<b>SUBSIDISED MORTGAGES</b>		
: higher taxation of	5	8
<b>TV LICENCES</b>		
: concessions for the elderly	2	4
: abolish	1	3
<b>PENSIONS</b>		
: increase state pension	35	42
: align treatment of benefits from occupational schemes and personal pensions	4	8
: lower male pension qualifying age	1	5
: miscellaneous	7	17

**SUBJECT****February****Total to  
date****THE ECONOMY**

: restrict credit

7

15

**PUBLIC SPENDING**

: increase

23

29

: increase spending on NHS

31

38

: reduce

-

1

: miscellaneous

-

2

**LIST OF SMALLER ORGANISATIONS**

All Party Ash Group  
Association of Car Fleet Operators  
Birmingham Chamber of Commerce  
British Heart Foundation  
British Marine Industries Federation  
British Thoracic Society  
Country Gentlemen's Association  
Horserace Betting Levy Board  
Imperial Cancer Research Fund  
Mobility Lead-Free Campaign  
National Home Improvement Loan  
National Association of Hospital Broadcasting Organisation  
Nottingham University  
Oxford City Council  
Reading Borough Council  
Royal National Institute for Blind  
Royal College of Pathology  
United Kingdom Co-ordinating Committee on Cancer Research  
Women's Employment Enterprise and Training Unit

FROM: MRS JUDITH CHAPLIN

13th March 1989

CHANCELLOR

cc Chief Secretary  
 Financial Secretary  
 Paymaster General  
 Economic Secretary  
 Mr Gieve  
 Mr Tyrie  
 Mr Call

*Handwritten notes in red ink:*  
 I had for know of Mrs C who do Grately  
 (excuse) Sir G Holdsworth, who should speak to myself

**BUDGET REPRESENTATIONS**

I think it is worthwhile, where we have contacts within associations, to get in touch with them to point out where their representations have been met in the hope that they will make supportive noises.

2. You mentioned Sir Trevor Holdsworth commenting on the reform of NICs; the CBI also asked for a reduction in corporation tax and the small companies' threshold to be increased. The latter has been increased although not to the amount the CBI would like, but the vast majority of companies pay at the lower rate anyway.
3. The IoD also wanted reform of NICs, deregulation of pensions and the changes which are being proposed for AVCs, PRP and ESOPs. They should also be pleased by the ending of close company apportionment.
4. The ABCC wanted the NICs threshold to become an allowance and an increase in the small companies threshold. They also stressed in their representations the importance of the control of inflation.
5. The Unit Trust Association will presumably welcome the changes for unit trusts and it is probably worth talking to the chairman of their Tax Committee, Tony Doggart, who is also a director of Save & Prosper and may be supportive of the changes in PEPs. There are one or two other PEPs providers, such as Tim Miller at M&G who were not pressing for front-end relief and who might be worth talking to.

6. The various Charity Groups made very supportive noises after the announcement of the Government decisions following the European Court ruling. They were disappointed that they did not get more coverage then and will presumably make further positive comment.

7. Some of the welfare lobbies who are normally so critical of the Government may be persuaded to make mildly supportive noises, for example Age Concern on the abolition of the earnings rule and the CPAG on the changes in NICs.

8. It is obviously difficult to gauge the reaction of the life assurance industry and I do not have any particularly good contacts in it. Would you however like me to get in touch with the other bodies mentioned, after the Budget Statement?

Jc

JUDITH CHAPLIN