

FILE NUMBER

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FILE BEGINS

02/10/1988

ENDS

10/11/1989

FILE TITLE

BUDGET STARTERS

1/2

NOTE OF A MEETING HELD AT 2.30 PM ON
TUESDAY 8 NOVEMBER IN THE CHANCELLOR'S
ROOM, HM TREASURY

Present: Chancellor of the Exchequer
Financial Secretary
Economic Secretary
Sir Peter Middleton
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr MacPherson
Mr Michie
Mr Sedgwick
Miss Chaplin
Mr Tyrie

Mr Isaac)	
Mr Painter)	Inland Revenue
Mr Beighton)	
Mr Bush)	
Mr Jefferson Smith)	
Mr Wilmott)	Customs and Excise
Mr Warr)	
Mr C Jenkins)	Parliamentary Counsel

MINOR BUDGET STARTERS 1989

The Chancellor opened the meeting by saying that it was important to look at the overall balance of the Budget when considering the possible starters. The meeting proceeded to review the minor starters in the order determined by the Agenda.

SUBSTANTIAL STARTERS

INLAND REVENUE:

204 - Business Expansion Scheme

The Chancellor agreed that it would be best to let BES settle down and no further changes to be made this year.

215 - Life Assurance Review

The Chancellor agreed that this starter should be included but said a separate meeting would be needed to discuss the details of the proposed changes. The Chancellor observed that the starter should be considered in the context of EC developments (FIM are preparing a paper on this), and that the Budget as a whole should not be seen as anti-savings.

252 - CGT: Gifts relief

The Financial Secretary was to hold a separate meeting to discuss this further.

253 - CGT: Qualifying Corporate Bonds

Inland Revenue would be submitting a paper on this shortly.

254 - CGT: Non-resident companies trading in the UK

Mr Painter explained that last year's changes to the company migration legislation had focused attention on existing weaknesses in the CGT rules. He said that significant revenue could be at stake - up to £100 m - but given last year's changes, legislation should not prove too controversial. The Financial Secretary will consider this further.

401 - Sovereign Immunity

In view of the BP/KIO issue the Chancellor decided to drop this starter.

SIMPLIFICATION AND/OR DEREGULATORY PRO-BUSINESS STARTERSINLAND REVENUE:108 - Schedule E: Receipts basis

The Chancellor asked what the revenue effects of this starter would be. Mr Painter said that the present tentative estimates (which were still been worked on) were:

1989-90	Exchequer	<u>cost</u>	£60m
1990-91	Exchequer	<u>cost</u>	£80m
1991-92	Exchequer	<u>gain</u>	£10m
1992-93	Exchequer	<u>gain</u>	£70m

The Chancellor noted that cost could be a factor but agreed that further work could proceed on this, and the Financial Secretary will consider further.

118 - Trusts: General Review

The Financial Secretary commented that this was an important starter. Mr Isaac said he was planning to submit a progress report in mid November. The earliest realistic timetable for a major reform would be an announcement in the 1989 Budget followed by consultations with publication of draft clauses in 1989, and legislation in 1990.

The Chancellor said that the starter would be most attractive if it achieved simplification. Parliamentary Counsel commented that Trusts are particularly complex and would take up a substantial part of the Bill.

206 - Close Company Legislation

The Financial Secretary commented that this was a moderately promising starter which could bring some simplifications. But complete abolition of the anti-avoidance legislation was a high

risk strategy, and we may have to opt for a less radical alternative. The Chancellor commented that the options should be fully considered and costed. The Financial Secretary will consider this further.

402 - Residence

Revenue officials commented that consultations were not yet complete, and some major bodies were not due to respond until the end of the month. The Chancellor observed that we had to have clear information about what happened in other countries as we would not wish to drive people overseas. The Financial Secretary commented that the main criticism so far had been that attempts to assess world-wide income had been unfair. The Inland Revenue aim to send an interim report to the Financial Secretary before the end of November.

451 - Sub-contractor Tax Scheme

The Financial Secretary suggested that we should aim to take the administrative savings first, in the 1989 Bill and defer other issues. This would mean that the bulk of the legislation would be for the 1990 Bill but would allow for any consultation which may be necessary. The Chancellor agreed.

Customs and Excise:

35 - Simplification of the VAT registration requirements

37 - VAT Bad debt relief

38 - Default surcharge

The Economic Secretary explained these starters and said that they would have a worthwhile deregulatory impact, and would be welcomed by the trade. He recognised however, that they had a not insignificant revenue cost, and that perhaps not all three could be accommodated. The Chancellor agreed that the starters were attractive and that they could proceed meantime.

7 - Abolition of gas oil and fuel oil duties

The Chancellor commented that this starter was attractive but quite expensive in revenue terms. He noted that if we waited a further year, complicating factors such as the impact on British Gas of the FRIG Gas contract would be lessened. The Chancellor agreed to include the starter provisionally, but commented that it might be a better option for 1990.

STARTERS ALREADY APPROVED BY THE FST OR ESTINLAND REVENUE:

The Chancellor agreed that the following starters, already approved by the Financial Secretary, should be included:

207 - Capital Allowances: Safety at sports grounds.

209 - Capital Allowances: Pre-consolidation amendments.

CUSTOMS AND EXCISE

The Chancellor agreed that the following Customs and Treasury starters, already approved by the Economic Secretary, should be included:

2 - Excise: Power to estimate revenue duties payable.

4 - Excise: measurement and declaration of original gravity of beer.

5 - Excise: misdescription of substances as beer.

6 - Excise: Oil duties relief.

36 - Right to repayment of VAT/Excise duties (and consequential changes).

40 - VAT: Research and Development cars.

62 - London Port banking: amendment to CEMA Section 17.

39 - Duty and Tax relief for diplomats and visiting forces.

TREASURY

651 - Government Stock: small estates.

652 - Gilts exemption monies: new procedures.

654 - Redemption 3% 1986-1996: wind up of Annuities Account and Sinking Fund.

OTHER STARTERS

CUSTOMS AND EXCISE:

8 - Excise: simplified duty credit arrangements for tobacco

The Economic Secretary will consider this when Customs' submission is received.

33 - VAT: adjustment of input tax on capital goods

The Economic Secretary commented that this starter was related to a mandatory provision of the EC Sixth VAT Directive. It could be administratively complex but he had asked Customs to work up simplified options, and the outcome of this work looked quite promising. The Economic Secretary will consider further.

60 - Prosecution time limits

Customs are due to report on this very shortly and the Economic Secretary will consider further.

61 - Seizure at export of probable cash proceeds of drug trafficking

The Economic Secretary explained that this starter was designed to extend powers to seize cash which was related to drug smuggling. A submission is due from Customs very shortly and the Economic Secretary will consider further.

INLAND REVENUE:

101 - Amalgamation of MCA and APA

The Chancellor agreed that this should be dropped.

105 - Benefits in kind: company cars - salary forgone

The Inland revenue confirmed that this starter was not essential but the revenue loss could grow steadily as scale charges were increased. A full submission will be sent to the Financial Secretary shortly.

106 - Benefits in kind: provided accommodation

This starter is essential given that rateable values for domestic property will no longer exist following the introduction of the community charge. Detailed transitional rules will be required, and a submission will be sent to the Financial Secretary.

109 - Schedule E: post-cessation payments

The Inland Revenue reported that this starter would not be necessary if starter 108 - "Schedule E: Receipts Basis" went forward.

110 - Schedule E: lump sum payments

This starter was not essential this year. The Chancellor commented that he would leave the final decision with the Financial Secretary.

111 - Testimonials for sportsmen

The Revenue noted that this starter was not essential. The Financial Secretary commented that it was potentially sensitive, and that a submission would be coming from the Inland Revenue. The Chancellor commented that the submission should contain evidence of abuse of the existing rules.

112 - Review of Employee Share Schemes

There are a number of changes that could be made under this review and the Financial Secretary will consider further.

113 - Employee Share Option Plans (ESOPs)

The Financial Secretary commented that there was quite a head of steam behind this starter, and broadly speaking, he was in favour of it going forward. The Financial Secretary will consider this further on receipt of the Revenue submission.

115 - Employees' material interest

The Financial Secretary will consider this on receipt of the Revenue submission.

116 - Amendments to PRP

This starter is currently being considered by the Paymaster General.

119 - Mixed residence and non resident trusts

Mr Isaac noted that whilst the main action on trusts could wait until 1990, this starter was necessary this year. The Chancellor was content with this.

156 - Unit Trusts: basis of charge

The Chancellor commented that this starter cut across the savings package, and a full submission from Inland Revenue was required, together with an early meeting. Mr Beighton observed that the Inland Revenue were pressing on with their analysis of the treatment of Unit Trusts in other European Countries.

202 - Purchase of own shares by quoted companies

The Financial Secretary will consider this starter further.

203 - Entrepreneurs Scheme

The Financial Secretary will consider this starter further, but he commented that it did not look promising, especially if we were, as planned, to leave BES to settle down.

205 - Advance Corporation Tax (change of ownership surrender)

The Financial Secretary will consider this further on receipt of a Revenue submission.

208 - Capital allowances and VAT

This starter is related to starter 33 (VAT: adjustment of input tax on capital goods). The Revenue will review their position when it becomes clear how starter 33 is to proceed.

210 - Hobby farming provisions

The Financial Secretary commented that he had ruled out abolition, but he had asked the Inland Revenue to consider further proposals for tightening up the present legislation.

212 - Reopening of claims for relief

The Chancellor agreed that this should be included.

214 - Sports governing bodies

The Financial Secretary said that he had been asked during last year's Finance Bill Report Stage to review the treatment of sports governing bodies. He had undertaken to do so, but did not regard it as a front runner. The Financial Secretary will consider this further.

257 - CGT: private residence relief

Mr Painter explained that, although not essential, the starter could be useful in that it would clarify the law and end numerous court cases. The Financial Secretary will consider further.

258 - Lloyds CG Treatment

The Inland Revenue pointed out that this starter might be considered in conjunction with starter 453. And they were still awaiting a response from Lloyds on indexed linked bonds, and would report to the Financial Secretary in due course.

260 - Inheritance Tax: liability of trustees

The Inland Revenue commented that this starter had been deferred in 1987 and 1988, and whilst not essential, problems were getting worse. The Financial Secretary will consider further.

350 - Oil abandonment: PRT/CT relief

The Economic Secretary commented that of the oil starters, this looked the front-runner. He was awaiting a report from the Joint Energy/Revenue Committee and will consider the starter further.

352 - Piper Disaster: PRT and CT treatment of insurance receipts

The Chancellor agreed that this should be dropped, subject to the companies putting in further evidence.

353 - PRT: Relief for incremental oil field investment

The Economic Secretary will consider further on receipt of the Energy/Revenue Committee report.

354 - PRT Oil allowance: "Peak Shaver" Fields

The Economic Secretary will consider this starter further.

403 - Tax rules for European Economic Interest Groups (EEIGS)

Mr Isaac explained that this was a very technical subject and that the Inland Revenue would report to the Chancellor in due course. The Chancellor commented that he did not regard this starter as a front-runner.

450 - Keith Committee: Administrative improvements

Inland Revenue are to put a submission to the Financial Secretary in mid November reporting on the outcome of consultations.

453 - Deep discounted Government and para-statal bonds

The Inland Revenue explained that this was a COBO consequential so must be done. They will put a submission to the Financial Secretary shortly.

454 - Electronic payment of dividends

The Inland Revenue have consulted banks about this. There seems to be a need for financial organisations to get together and attempt to resolve administrative difficulties. A report will be coming forward to the Financial Secretary shortly.

TRANSPORT

The Chancellor agreed to include the following starters:

600 - Northern Ireland/GB VED Exemption.

601 - Trade Licencing: rate increase.

602 - Special Types: VED rate increase.

603 - Rigid Goods Vehicles: VED rate increase.

605 - Recovery Vehicles.

606 - Dishonoured Cheques: provision to claim duty for the period a void VED licence was held by an offender.

630 - Failure to notify vehicle document.

631 - Registration book/document.

632 - Grass cutting vehicles: definition.

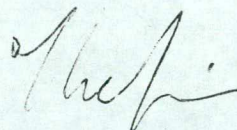
633 - Sale of registration numbers.

But the Chancellor felt that Starter 610 - Mine rescue vehicles should be dropped.

TREASURY

650 - ITV Levy

HE2 will be putting a submission up to the Chancellor.



K SEDGWICK
FP Division

18.11.88

Circulation

Those present
PS/Chief Secretary
PS/Paymaster General
Miss Pollock
Mr Shaw - IR
Ms French - C&E

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



FROM: S M A JAMES
DATE: 8 NOVEMBER 1988

PS/CHANCELLOR

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Sir P Middleton
Mr Scholar
Mr Culpin
Mr Michie
Mr Tyrie
Mrs Chapman
Mr Johns, IR
PS/IR
Mr Prescott, IR

Mr Githens
Mr Riley

Ch/ This note is consistent with the annotated agenda. Its purpose is so that you can say "EST has reported + I am content (or not!)" Should there not be time to get to there this p.m.

8/11

CHANCELLOR'S MINOR STARTERS MEETING, 8 NOVEMBER 1988

As suggested in Mr Michie's minute of 17 October, I attach a note outlining progress on the Economic Secretary's transport and oil starters.

**S M A JAMES
PRIVATE SECRETARY**

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

TRANSPORT STARTERS

2. There are 12 Transport starters in all: nine minor starters being dealt with by the Economic Secretary directly, and three which are being handled by the Chancellor.

3. The Economic Secretary has now written to Peter Bottomley asking if he will drop starters 600 and 630, and we expect he will agree. The Economic Secretary has given approval (subject to the usual proviso about Finance Bill space) for the following starters to proceed:

- | | | | |
|----------------|-----------------------------------|--------------|--|
| 601 | Trade Licensing | - | third and final stage of VED increase; |
| 605 | Recovery Vehicles | - | small technical change to the vehicle class; |
| 610 | Mine Recovery Vehicles | - | replacing extra statutory concession; |
| 631 | Registration document | - | small technical change; |
| 633 | Sale of Registration Marks | - | sale of 'cherished' vehicle number plates. |

Starters 601, 605, 610 and 631 are uncontroversial, will make very little demands on Finance Bill space, and have negligible revenue effects. Starter 633 has been the subject of wide consultation and should not prove controversial. Latest estimates are that it could yield as much as £50m per year.

4. The Economic Secretary has asked Transport to look again at the following starters:

606 **Dishonoured cheques:** this could be controversial, but provided they can come up with proposals to avoid penalising 'innocent' parties, the Economic Secretary is inclined to agree to it going forward. His remaining concern about this starter is the 2 pages of Finance Bill space which it will require. So even if Transport do come up with the necessary safeguards, the starter may have to be dropped for lack of space;

630 **Grass Cutting Machines:** rather than the proposal for a change of definition for these machines - which may do no more than move the borderline where problems occur - the Economic Secretary has proposed a more radical starter which would sweep away six concessionary tax classes and replace them with one class to cover all agricultural and related machines. This could be done on a revenue neutral basis and should produce welcome simplifications.

Other Starters

5. The remaining three Transport starters are the subject of correspondence between Mr Channon and the Chancellor:

602 **Special Types** (the vehicles used for the movement of abnormal or indivisible loads): last year the VED for these vehicles was increased from £130 to £1,600, and this year the proposal is for a further increase to £3,100. These increases are needed to bring special types up to track cost coverage. Despite the size of the proposed increase, we do not expect the starter to attract much controversy as there are only around 400 vehicles involved and operators were forewarned in the last Budget that this increase was on the way. The Chancellor need not give his final decision on this until the New Year, but there is no reason, in principle, why the starter should not proceed.

603 **Rigids VED:** Mr Channon has proposed increases in the VED for rigid-trailer HGVs to put them on a more equal footing with artics. Again there is no reason, in principle, why the starter

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

should not proceed. But a final decision can be made in the New Year.

604 Hackneys: The Chancellor has already given his provisional approval to this and will make up his mind finally in the New Year.

Summary

6. Of the twelve Transport starters, we expect no more than ten to proceed. The revenue yield from the starters (excluding any other changes to the main VED rates which the Chancellor may decide in the New Year) will be:

		£m
633	- registration marks	50 (up to)
603	- rigids	50
604	- hackneys	20
		—
		£120m
		—

OIL STARTERS

7. The Economic Secretary has discussed the oil tax starters with the Inland Revenue and the position is as follows.

Oil abandonment: PRT/CT reliefs (Starter 350)

8. This is the biggest of the oil starters both in terms of legislation and tax at stake. The industry are now having to plan in earnest for the eventual abandonment of their fields following last year's Petroleum Act which laid down the ground rules. They are concerned that under present rules some of them may not get full effective relief for either PRT or CT for their expenditure

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

and argue that this may actually distort the timing of abandonment. In many cases abandonment is still many years off. However, there is an immediate issue as a result of the requirement that each partner be jointly and severally liable for the cost of a field. As a result they want to be able to put money aside in alienated funds to give them security that their partners will not default and they seek tax relief on the contributions. If such funds are to be set up they need to be set up quickly.

9. At this stage it seems there may be some proposals on alienated funds (although practical problems may rule this out) and some changes to the capital allowances regime (possibly full immediate allowances for the cost of removing plant and machinery and some greater carry back of losses). The PRT relief the industry wants seems less justified but the present interest rules on PRT repayments are over-generous. Finally there are a lot of technical changes and anomalies to consider.

10. We may want to include in the 1989 Finance Bill only the elements which need to be settled immediately (the alienated funds and some technical matters) and limit ourselves to a statement of intent or more consultation on other issues. We can only decide this when we have the Working Party report (from the Revenue, Treasury and Department of Energy) in late November/early December.

PRT: Tariffing Issues (Starter 351)

11. No action seems necessary this year (my note of 31 October refers).

Piper disaster: PRT and CT treatment of insurance receipts (Starter 352)

12. The companies have been told that we do not see relief as being justified on our present information. If they come back

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

with a better case (in particular demonstrating that they have a cashflow problem) we may have to reconsider.

PRT: Relief for Incremental Oil Field Investment (Starter 353)

13. This is an issue which has proved intractable for many years. We understand there may be evidence for the first time that one or two projects are suffering but it is still not clear whether there is a workable solution without unacceptable deadweight costs. The Working Party will report by Christmas.

PRT oil allowance: "Peak Shaver" fields (Starter 354)

14. Shell and Esso argue that last year's Southern Basin package impacts unfairly on their "peak shaver" field. The Revenue have looked at the arguments and advise that the arguments are weak. The Economic Secretary is considering Mr Prescott's submission of 3 November and Mr Scholar's note of 7 November.



FROM: MISS S J FEEST
DATE: 4 November 1988

PS/CHANCELLOR

cc

- PS/Chief Secretary
- PS/Economic Secretary
- Sir P Middleton
- Mr Scholar
- Mr Culpin
- Mr Riley
- Mr Michie
- Mrs Chaplin
- Mr Tyrie
- Mr Call
- Mr Bush - IR
- PS-IR
- Mr Jenkins - OPC

Ch. This note is primarily for info. - it supplements (+ is consistent with) the minutes given.

26/11

**CHANCELLOR'S MINOR STARTER MEETING
TUESDAY 8TH NOVEMBER 1988**

As requested by Mr Michie in his minute of 17 October 1988, I attach summary sheets detailing the progress made on the Financial Secretary's budget starters.

SUSAN FEEST

BUDGET STARTERS: PROGRESS SHEET

DEFINITELY INCLUDED

- 107: Reform of Reliefs for Relocation costs
- 114: Taxation of Employee Priority in Company Flotations
- 213: Extension of Relief for Pre-trading Expenditure
- 255: CGT: Technical Changes associated with Rebasing
- 256: CGT: Chattels Exemption
- 400: Tax Deductible from Tax Credit Payments to US Companies

Provisionally Included

- 207: Capital Allowances: Safety at Sports Grounds
- 209: Capital Allowances: Pre-consolidation Amendments
- 301: Stamp Duty: Rates on shares

Received but not settled

- 103: Benefits in Kind - Exemption
- 152: Tax Relief for Equity Investment
- 153: Pensions: Changes to Tax Rules
- 202: Purchase of Own Shares by Quoted Companies
- 203: Entrepreneurs Scheme
- 252: CGT: Gifts Relief
- 260: Inheritance Tax: Liability of Trustees

Awaiting Outcome of Consultation

- 215: Life Assurance Review
- 402: Residence and Basis of UK Tax Liability for Individuals
- 450: Keith Committee: Administrative Improvements
- 451: Subcontractor Tax Scheme

OUTSTANDING

SUBMISSIONS

- 101: Amalgamation of Married Couple's Allowance and Additional Personal Allowance.
- 104: Benefits in Kind: Car and Car Fuel Benefits.
- 105: Benefits in Kind: Company Cars - Salary Forgone

- 106: Benefits in Kind: Provided Accommodation
- 108: Schedule E: Receipts Basis of Assessment
- 109: Schedule E: Post Cessation Receipts
- 110: Schedule E: Lump Sum Payments
- 111: Taxation of Testimonial Payments to Sportsmen
- 112: Review of Employee Share Scheme Legislation
- 113: ESOPS
- 115: Employee's Material Interest
- 117: MIR limit for 1989-90
- 118: Trusts: General Review
- 119: Mixed Residence and Non - Resident Trusts
- 150: Charitable Covenants
- 151: Charities - Covenants Membership Subscriptions
- 154: Private Medical Insurance Over 60's
- 200: Main CT Rate for 1989
- 201: Small Companies Rate of CT for 1989
- 204: BES
- 205: ACT (Change of Ownership, Surrender)
- 206: Close Company Legislation
- 208: Capital Allowances and VAT
- 210: Hobby Farming Provisions - Tightening
- 212: Re-opening of Claims for Relief
- 214: Sports Governing Bodies
- 253: CGT Qualifying Corporate Bonds
- 254: CGT - Non - Resident Companies Trading in UK
- 257: CGT: Private Residence Relief
- 258: Lloyd's CG Treatment
- 259: Inheritance Tax: Threshold and Rate
- 302: Stamp Duty: Taurus
- 401: Sovereign Immunity
- 403: Tax Rules for European Economic Interest Groups
- 452: Unauthorised Disclosure of Information Provided to Inland Revenue and Customs and Excise
- 453: Deep Discounted Government and Foreign Para-statal Bonds.

DROPPED

- 211: Abolition of Farmers' Averaging Provisions

CONFIDENTIAL

<u>STARTER NO.</u>	<u>MINISTER IN LEAD</u>	<u>DESCRIPTION OF STARTER</u>	<u>COMMENTS</u>
<u>INCOME TAX</u>			
101	FST	Amalgamation of Married Couple's Allowance and Additional Personal Allowance	SUBMISSION BY MID NOVEMBER
103	FST	Benefits in Kind - Exemption	UNDER CONSIDERATION SUBMISSION 17/8/88 ? FURTHER SUBMISSION POSS. NO LEGISLATION
104	FST	Benefits in Kind: Car and Car Fuel Benefits.	SUBMISSION BEGINNING NOVEMBER
105	FST	Benefits in Kind: Company Cars - Salary Forgone	TECHNICAL: SUBMISSION BY MID NOVEMBER
106	FST	Benefits in Kind: Provided Accommodation	SUBMISSION IN DECEMBER
107	FST	Reform of Reliefs for Relocation costs	DEFINITELY INCLUDED SUBMISSION 27/7/88
108	FST	Schedule E: Receipts Basis of Assessment	SUBMISSION BY BEGINNING OF NOVEMBER
109	FST	Schedule E: Post Cessation Receipts	DEPENDS ON RESULT OF HOUSE OF LORDS CASE AND STARTER 108
110	FST	Schedule E: Lump Sum Payments	SUBMISSION MID NOVEMBER
111	FST	Taxation of Testimonial Payments to Sportsmen	SUBMISSION BY DUE BEGINNING OF NOVEMBER
112	FST	Review of Employee Share Scheme Legislation	SUBMISSION DUE MID TO LATE NOVEMBER
113	FST	ESOPS	SUBMISSION DUE MID TO LATE NOVEMBER
114	FST	Taxation of Employee Priority in Company Flotations	DEFINITELY INCLUDED SUBMISSION 8/9/88
115	FST/PMG	Employee's Material Interest	SUBMISSION DUE IN EARLY NOVEMBER

<u>STARTER NO.</u>	<u>MINISTER IN LEAD</u>	<u>DESCRIPTION OF STARTER</u>	<u>COMMENTS</u>
117	FST	MIR Limit for 1989-90	
118	FST	Trusts: General Review	PROGRESS REPORT - MID NOVEMBER
119	FST	Mixed Residence and Non - Resident Trusts	PROGRESS REPORT - MID NOVEMBER
<u>SAVINGS AND INVESTMENT</u>			
150	FST	Charitable Covenants	SUBMISSION BY END EARLY NOVEMBER
151	FST	Charities - Covenants Membership Subscriptions	SUBMISSION BY EARLY NOVEMBER
152	FST	Tax Relief for Equity Investment	SUBMISSION RECEIVED DECISIONS PENDING
153	FST	Pension: Changes to Tax Rules	SUBMISSION RECEIVED DECISIONS PENDING
154	FST	Private Medical Insurance Over 60's	
<u>BUSINESS TAXATION</u>			
200	FST	Main CT Rate for 1989	SUBMISSION IN JANUARY
201	FST	Small Companies Rate of CT for 1989	SUBMISSION IN JANUARY
202	FST	Purchase of Own Shares by Quoted Companies	UNDER CONSIDERATION SUBMISSION 23/12/87
203	FST	Entrepreneurs Scheme	SUBMISSION 5/7/88
204	FST	BES	SUBMISSION IN NOVEMBER
205	FST	ACT (Change of Ownership, Surrender)	SUBMISSION BY OF NOVEMBER
206	FST	Close Company Legislation	UNDER CONSIDERATION SUBMISSION ON 25/8/88 FURTHER SUBMISSION RECEIVED

<u>STARTER NO.</u>	<u>MINISTER IN LEAD</u>	<u>DESCRIPTION OF STARTER</u>	<u>COMMENTS</u>
207	FST	Capital Allowances: Safety at Sports Grounds	SUBMISSION RECEIVED PROVISIONALLY INCLUDED
208	FST	Capital Allowances + VAT	AWAITING OUTCOME ON VAT POSITION
209	FST	Capital Allowances: Pre-consolidation amendments	SUBMISSION RECEIVED PROVISIONALLY INCLUDED
210	FST	Abolition of Hobby Farming Provisions	SUBMISSION RECEIVED DROPPED. BUT FURTHER SUBMISSION DUE ON POSSIBLE TIGHTENING
211	FST	Abolition of Farmers' Averaging Provisions	SUBMISSION RECEIVED DROPPED
212	FST	Re-opening of Claims for Relief	
213	FST	Extension of Relief for Pre-trading Expenditure	DEFINITELY INCLUDED
214	FST	Sports Governing Bodies	SUBMISSION DUE EARLY NOVEMBER
215	FST	Life Assurance Review	CONSULTATION ENDS 31/10/88
<u>CAPITAL TAXES</u>			
252	FST	CGT: Gifts Relief	SUBMISSION RECEIVED
253	FST	CGT: Qualifying Corporate Bonds	SUBMISSION DUE EARLY NOVEMBER
254	FST	CGT: Non-resident Companies Trading in UK	SUBMISSION DUE EARLY NOVEMBER AWAITING SOLS OPINIONS
255	FST	CGT: Technical Changes Associated with Rebasing	SUBMISSION RECEIVED PROVISIONALLY INCLUDED

<u>STARTER NO.</u>	<u>MINISTER IN LEAD</u>	<u>DESCRIPTION OF STARTER</u>	<u>COMMENTS</u>
256	FST	CGT: Chattels Exemption	SUBMISSION RECEIVED PROVISIONALLY INCLUDED
257	FST	CGT: Private Residence Relief	SUBMISSION DUE MID-NOVEMBER
258	FST	Lloyd's CG treatment	SUBMISSION DUE END OF NOVEMBER
259	FST	Inheritance Tax: Threshold and Rate	SUBMISSION IN JANUARY
260	FST	Inheritance Tax: Liability of Trustees	SUBMISSION RECEIVED
<u>STAMP DUTY</u>			
300	FST	Stamp Duty on Houses and Land: Threshold	SUBMISSION DUE MID NOVEMBER
301	FST	Stamp Duty: Rate on Shares	PROVISIONALLY INCLUDED
302	FST	Stamp Duty: Taurus	DEPENDANT ON DECISIONS ON 301
<u>INTERNATIONAL TAXATION</u>			
400	FST	Tax Deductible from Tax Credit Payments to US Companies	DEFINITELY INCLUDED SUBMISSION 6/9/88
401	FST	Sovereign Immunity	SUBMISSION AT BEGINNING OF NOVEMBER
402	FST	Residence and Basis of UK Tax Liability for Individuals	INTERIM REPORT IN NOVEMBER
403	FST	Tax Rules for European Economic Interest Groups	SUBMISSION BY END OF NOVEMBER

<u>STARTER NO.</u>	<u>MINISTER IN LEAD</u>	<u>DESCRIPTION OF STARTER</u>	<u>COMMENTS</u>
<u>MISCELLANEOUS</u>			
450	FST	Keith Committee: Administrative Improvements	UNDER CONSIDERATION SUBMISSION 6/7/88 END OF CONSULTATION PERIOD 31/10/88 SUBMISSION MID-NOVEMBER
451	FST	Sub-contractor Tax Scheme	ACTION PLAN DUE END OF OCTOBER
452	FST	Unauthorised Disclosure of Information Provided to Inland Revenue and Customs + Excise	SUBMISSION BY EARLY NOVEMBER
453	FST	Deep Discounted Government and Foreign Para-statal Bonds	SUBMISSION DUE IN MID TO END NOVEMBER

FROM: MISS T A POLLOCK

DATE 4 November 1988

1. MR MICHIE *AMM 2/11*
2. MR GILHOOLY
3. CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Sir Peter Middleton
 Sir Terence Burns
 Mr Scholar
 Mr Culpin
 Mr Riley
 Miss Hay
 Mr Macpherson
 Mr Flanagan
 Mr Sedgwick
 Mrs Chaplin
 Mr Call
 Mr Tyrie

Ch:
 I have made the appropriate amendments on the pp. behind. They are few in number, and your marginalia are intact. But NB tax relief for diplomats (on which you wanted to talk about M.I.R + "Pickles") has now moved to Section C ("Status already approved")

PS/IR
 Mr Isaacs - IR
 Mr Painter - IR
 Mr Beighton - IR
 Mr G Bush - IR
 Mr McManus - IR
 Mr McNicol - IR
 Mr Shaw - IR

PS/Customs
 Mr Jefferson-Smith C&E
 Mr Wilmott
 Mr Allan - C&E
 Ms French - C&E
 Mr Jenkins Parl Counsel

1989 FINANCE BILL STARTERS MINOR STARTERS MEETING 8 NOVEMBER

1. We can now update the attachments to Mr Michie's submission of 13 October; and Mr Gilhooly's of 28 October.
2. The following updated papers are attached:

(a) Minor Starters Meeting

Annex A - Annotated Agenda) To replace existing
attachments to Mr
Gilhooly's minute of
28 October

Annex B - All other starters)

The changes have been sidelined.

(b) Starters List

- (i) a new index for Inland Revenue and Department of Transport;
- (ii) updated summary sheets for Inland Revenue, Customs and Excise, Transport and Treasury;
- (iii) reference sheets for 3 new starters - Inland Revenue - numbers 156 and 454
Transport number 633.
- (iv) a revised reference sheet for Inland Revenue starter no 215

3. There are ~~74~~ starters for discussion at your meeting

Revenue: 43 (37 FST; 4 EST; 1 PMG; 1 PMG/FST)

Customs: 16 (all EST)

Transport: 11 (all EST)

Treasury: 4 (all EST)

Instructions to Counsel

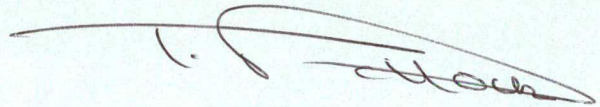
4. Parliamentary Counsel have confirmed that they have received instructions on the following numbers of starters:

	<u>Complete</u>	<u>Provisional</u>	<u>Not Received *</u>
Revenue	3	3	61
Customs	7	2	15
Transport	4	3	5
Treasury	2	-	2

(* excluding those dropped and provisionally dropped)

Size of the Bill

5. Our tentative estimate of the size of the Bill is that it will be in the order of 200 pages including schedules; the Inland Revenue starters will account for around 170 pages. The 1986 Bill, equivalent to 200 pages, was considered to be the maximum manageable size; the 1988 Bill was 181 pages.



T A POLLOCK

FROM: J F GILHOOLY
DATE: 28 October 1988

1. MR CULPIN
2. CHANCELLOR

*Discussed
in draft.*

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Riley
Miss Hay
Mr MacPherson
Mr Michie
Mr Flanagan
Mr Sedgwick
Mrs Chaplin
Mr Call
Mr Tyrie

PS/IR

Mr Isaac - IR
Mr Painter - IR
Mr Beighton - IR
Mr G Bush - IR
Mr McManus - IR
Mr C S McNicol - IR

Mr Jefferson Smith - C&E
Mr Wilmot - C&E
Mr P R H Allen - C&E
Ms French - C&E
Mr Jenkins - Parliamentary
Counsel

GILHOOLY
TO
CHIEF
28 OCT

1989 FINANCE BILL STARTERS: CHANCELLOR'S MEETING

I attach at Annex 'A' an annotated agenda for your minor starters meeting. Annex 'B' is a list of all other starters which we suggest need not be covered - either because they are to be covered at separate meetings; are 'annuals' which can be decided later; have already been approved by you or have been dropped; or because for other reasons we think that you may feel they are not suited to this meeting.

2. You will wish to have to hand the reference and summary sheets circulated earlier which briefly indicate the nature and

*see 'Michie to BT' of 13/10.
and enclosures below.*

state of play of the starters. These will be updated as the Budget cycle progress.

3 There are 76 starters for discussion:

Revenue : 42 (35 FST; 5 EST; 1 PMG; 1 PMG/FST);
Customs : 16 (all EST);
Transport : 14 (all EST);
Treasury : 4 (all EST).

4. Within the annotated agenda at Annex A the starters are grouped into four sections

- Section A lists some "substantial" minor starters.
- Section B groups together starters which have a simplification and/or deregulation/pro-business element.
- Section C covers starters already approved by the Financial Secretary or Economic Secretary, or which have been dropped.
- Section D covers the remainder of the starters.

5. Your meeting gives you the opportunity for a first preliminary view of the overall shape of the starters. We do not think you will wish to discuss the individual starters in detail; but you may wish to give guidance on the acceptability of some of them.

6. Apart from the "savings" starters, and the indirect taxes (which are being discussed separately), some features are:

- (a) The Economic Secretary has identified a number of starters (see the second section of the annotated agenda) which have one or more of the following characteristics: simplification, deregulation, pro-business. The Financial Secretary has added that some

possible simplifications (eg in anti-avoidance legislation) flow from the 1988 budget reforms. Inter alia, the Revenue are looking at Trusts starter with a view to identifying possibilities for simplification.

- (b) a number of the starters relate to (or might be taken publicly as relating to) the EC and/or 1992. The most important of these is the VAT starter to implement the ECJ infraction judgements; but they include VAT on passenger transport, which will also need to be looked at alongside the proposals for VED and hackneys. You are having a separate meeting on indirect taxes. On the direct side, this grouping would include aspects of life assurance and its stamp duty; the extension of pre-trading relief; and the EEIGs..



J F GILHOOLY

CHANCELLOR'S MINOR STARTERS MEETING 2 NOVEMBER 1988

AGENDA

A. Substantial Starters

Inland Revenue:

Starter 204 - BES

Purpose: To review recent developments, including the new relief for private renting.

Revenue effect:)
) Not known: depends on decisions.
Staff effect :)

Submissions: Planned for November.

Key Points: As the new tenancy relief and the ceilings on investments have only just been introduced do Ministers feel that, subject to the note on recent developments, it would be best to let BES settle down?

Starter 215 - Life Assurance Review

Purpose: To consider and take forward options outlined in consultation document published 17 June 1988 in the light of responses. *Also to consider the abolition of Life Assurance Policy Duty.*

Revenue effect):
) Depends on decisions.
Staff effect):

Submissions: Mr Deacon's submission of 21.10.88 gave provisional state of play. The provisional submission asks Ministers for initial opinions. A full submission is aimed for November.

Key Points: Split of legislation between 1989 and 90.

Starter 252 - CGT

Purpose: To reconsider abolition of CGT gifts relief (originally introduced in 1980 to remove double charge on lifetime gifts but CTT lifetime charges abolished in 1986).

Revenue effect: £50m if relief abolished.

Staff effect: Some increase: depends on behavioural responses.

Submissions: Made 24 October 1988.

Key Points: Should the relief be abolished? (The 24 October submission also identifies a number of subsidiary issues for decision).

Starter 253 - CGT: Qualifying Corporate Bonds

Purpose: To consider the need for remedial action to counter a loophole. At present where shares are exchanged for a qualifying corporate bond, the gain on the shares is deferred until the bond is disposed of. If bond gifted prior to disposal, it is not clear whether there is a proper mechanism for bringing it back into charge.

Revenue effect: Up to £100m at stake if no action taken.

Staff effect: NIL.

Submissions: Not yet made.

Key Points: Until we have received legal advice we do not know whether we need to ask Ministers to take action.

Starter 254 - CGT: Non-Resident Companies

Purpose: To safeguard exit charge on emigrating companies.

Revenue effect: Substantial tax at stake if no action taken.

Staff effect: Negligible.

Submissions: Aimed for early November.

Key Points: *!!* Existing provisions have a number of weaknesses and action is needed to prevent the new company emigration charge from being exploited.

Starter 401 - Sovereign Immunity

Purpose: To consider options for restructuring immunity following firm steer from the Chancellor in the summer. *(But you → K10/BP!)*

Revenue effect: Over £100m yield, if most radical option adopted.

Staff effect: Negligible.

Submissions: Aimed for early November: is likely to put forward two options for removing or limiting immunity and will report further research into practical implications.

Key Points: In considering options for action, Ministers will want to hear in mind interaction with the residence issue (Starter 402), K10/BP and other countries' practice.

B. Simplification and/or Deregulatory Pro-Business Starters

Inland Revenue:

Starter 108 - Schedule E: Receipts Basis

Purpose: To reduce need to make assessments where PAYE has been operated properly. Achieves some simplification and savings after a transitional 3 year period in which there would be some additional Budgetary and administrative costs. Ministers commissioned this work in December 1987.

how much?

Revenue effect): Depends on decisions

)
Staff effect): on the transitional provisions.

Submissions: Aimed for early November: will present proposals for action in 1989.

Key Points: After a settling in period, the proposal should achieve simplification for taxpayers and tax offices and generate revenue and staff savings.

Starter 118 - Trusts: General Review

Purpose: Review of the present income tax and capital gains tax rules for trusts, mainly because of the 1988 reforms of the treatment of covenants and maintenance, and the planned introduction of independent taxation. Could lead to simplification and rationalisation of the rules more generally.

Revenue effect):
) Depends on decisions.

Staff effect):

Submissions: A progress report is aimed for early November. Interim reports made on 14 July and 17 October.

Key Points: Scope for simplification of anti-avoidance legislation and some options for action in 1989. Any major restructuring would almost certainly need draft clauses, followed by legislation in 1990.

Starter 206 - Close Company Legislation

Purpose: To examine the need for anti-avoidance provisions following the 1988 changes to income tax and CGT.

Revenue effect: Cost depends on decisions: could exceed £100m in each year.

Staff effect: Probably negligible, depending on decisions.

Submissions: 25 August 1988. Revenue are considering presentational and technical implications and will report back to Ministers.

Key Points: Complete abolition would achieve simplification but at a substantial Exchequer cost. Less radical option - abolition but with compensatory measures targetted at investment companies - possible.

Starter 402 - Residence

Purpose: Revision of the present residence rules with the aim of greater simplicity, certainty and neutrality, and of relating UK liabilities more closely to the degree of connection with this

country. Consultative document issued in July 1988. *Feedback?*

Revenue effect: Possible yield of £50m depending on decisions.

Staff effect: Possible saving of 10.

Submissions: Interim targetted for November.

Key Points: The proposals in the consultative document aim to produce simpler and more neutral rules but some (e.g. the purposed changes to the long-term residence rules) would be controversial. November submission will examine scope for legislation in 1989.

Starter 451 - Sub-contractor Tax Scheme

Purpose: Revision and tightening up of the present scheme in the light of the recommendations of Efficiency Scrutiny.

Revenue effect:) Depends on decisions on level of deduction
) rate and timetabling of longer-term

Staff effect :) proposals.

Submissions: 14 October 1988.

Key Points: Should there be a single package of measures in 1989 or should some elements be deferred until 1990? Tougher rules for eligibility for new and renewed certificates will be controversial. Consultation necessary.

?

Customs and Excise:Starter 35 - Simplification of the VAT Registration Requirements

Purpose: to simplify the rules relating to when a business must register for VAT. At present, there are quarterly and annual turnover limits, and the proposal is to have a simple threshold based on turnover in the previous 12 months.

Revenue effect: - £120m in full year.

How much in 15 yrs?

Staff effect: likely to be some modest savings.

Submissions: 14 October.

Key Points: would be welcomed by EDU and Lord Young, and would help small businesses. But fairly high revenue cost.

Starter 37 - VAT Bad Debt Relief

Purpose: except where traders use cash accounting or a retail scheme, they are liable to VAT on their sales whether or not their customers pay for them; relief for bad debts is available only where the customer becomes formally insolvent. The Economic Secretary has agreed to a review of the existing arrangements for relief from VAT on bad debts; this review will recommend:

- (a) extending the existing relief provisions but only to the extent of covering minor anomalies; or
- (b) a major change to a fully comprehensive form of relief allowed.

Revenue effect: - £150m in full year.

How much in 1st yr?

Staff effect: + 20

Submissions: 14 October.

Key Points: fully comprehensive form of relief would be widely welcomed by business community who perceive the existing system as unfair. The proposal has a reasonably high revenue cost.

Starter 38 - Default Surcharge

Purpose: To reduce 'harshness' of existing surcharge regime. At present, the default surcharge rises by stages per default, each of 5 percentage points, from 5 per cent to 30 per cent. Experience suggests that by the time the trader reaches a surcharge rate of over 20%, he has moved from the "won't pay" to "can't pay", and the even higher surcharge rates do little practical good. Customs are likely to recommend cutting the maximum rate from 30% to 20%.

Revenue effect: - £20m in full year.

Staff effect: NIL.

Submissions: no major submission as yet (Customs still consulting).

Key Points: would be widely welcomed by business community. Any implications for serious impending misdeclaration penalty regime - also set at 30%? Revenue cost modest (£20m).

Starter 7 - Abolition of gas oil and fuel oil duties

Purpose: possible abolition of duty on gas oil and fuel oil put forward as part of Treasury's supply side measures. Considered previously but rejected because a reduction in duty would increase the price of natural gas supplied to and by British Gas under a number of commercial contracts. (Kings)

Revenue effect: - £160m. (How much of this goes to whom?)

Staff effect: - 5.

Submissions: Customs has consulted with Treasury and Department of Energy. Submission to come forward shortly.

Key Points: *think it* Has points been reached at which benefits to oil users outweigh disadvantages to British Gas and their consumers? Fairly high revenue cost. Some deregulatory benefits.

C. Starters already approved by the Financial Secretary or Economic Secretary

Revenue:

207(I) Capital Allowances: Safety at Sports Grounds

Purpose: to extend relief to "regulated stands" deferred until Home Office order - expected to come into effect on 1 January 1989 - brings them within safety certificate requirements. The Financial Secretary has indicated that he is content for this starter to proceed.

Revenue effect: Neg.

Staff effect: Neg.

Submissions: 28 October.

Key Points: Align treatment of regulated stands with allowances introduced in 1988.

209(I) Capital Allowances : Pre-consolidation amendments

Purpose: technical amendments to put right in advance of consolidation of capital allowances. Various defects and anomalies in existing law. Agreed by Financial Secretary.

Revenue effect: Small.

Staff effect: Neg.

Submissions: 28 October.

Key Points: Uncontroversial technical amendments in advance of consolidation proposed for 1989.

Customs:

2(I) - Excise: Power to Estimate Revenue Duties Payable

Purpose: to block a potential loophole; Section 116A of CEMA allows Customs to estimate duty due where returns, accounts, and records are incomplete or missing. But powers apply in respect of excise warehouses and distillers only; there is a gap in Customs' controls over other revenue traders e.g. brewers. The Economic Secretary has indicated that he is content, in principle, for this starter to proceed.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 6 October.

Key Points: recent case concerning a major brewer has highlighted weakness in law. But could attract some opposition as Customs are seeking extension of existing powers.

4(I) - Excise: Measurement and Declaration of Original Gravity of Beer

Purpose: amendment of Alcoholic Liquor Duties Act 1979 in order to clarify the law relating to the determination of the original gravity of beer. The Economic Secretary has indicated that he is content for this starter to proceed.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 6 October.

Key Points: recent case concerning major brewer has highlighted need to clarify law. Should not prove controversial.

5(I) - Misdescription of substances as beer

Purpose: repeal of Section 73 of the Alcoholic Liquor Duties Act 1979. This section makes it an offence to sell any substance described as beer unless beer duty has been paid in respect of the total volume. But low alcohol beer is now sold by brewers with the term 'beer' in the product name. Technically therefore, brewers are in breach of ALDA S 73. The Economic Secretary has agreed that the section is redundant and should be repealed.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 14 October 1988.

Key Points: None.

6(I) - Excise: oil duties relief

Purpose: to replace four oil duties extra - statutory concessions with formal legislative provisions. The Economic Secretary has provisionally agreed to this starter going forward.

Revenue effect: NIL

Staff effect: NIL.

Submissions: 31 October.

Key Points: existing legislation does not wholly meet trade needs or administrative practices. There are circumstances, too, where on grounds of equity or to prevent double taxation, it is desirable to remit or repay a duty charge; but legal provisions allowing this are absent.

36(I) - Right to repayment of VAT/excise duties (and consequential duties)

Purpose: would provide a statutory entitlement to repayment of VAT and excise duties paid in error. Follows a Court of Appeal judgement where the Court commented adversely on the lack of statutory provision for the repayment of VAT paid in error. The Economic Secretary has approved the inclusion of this starter.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 1 September.

Key Points: seems proper that taxpayers' entitlement be spelt out statutorily; safeguards re: "unjust enrichment" seem reasonable.

40(I) - -Research and development cars

Purpose: to extend entitlement to deduction of input VAT on motor cars used for research and development to include imported vehicles. The European Commission has advised the UK that the existing legislative provision which allow deduction in respect of UK manufactured vehicles only is discriminatory, and contrary to Article 95 of the Treaty. The Economic Secretary has commented that it might be best to 'lose' this change in the Budget.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 31 August.

Key Points: action necessary to comply with Treaty; benefits imported cars.

62(I) London Port Banking Amendment to CEMA Section 17

Purpose: to assist the rationalisation of Customs' banking arrangements by enabling London Port Collection to organise its banking arrangements in the same way as other Collections. The Economic Secretary has indicated that he is content for this starter to proceed.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 19 October.

Key Points: a two line amendment which should be uncontroversial.

39(I) Duty and tax relief for Diplomats and visiting forces

*NB
MIR
(Pickles)* Purpose: to replace a number of extra-statutory concessions. The Economic Secretary has indicated that he is content that this starter should proceed.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 21 October.

Key Points: It will neither increase nor decrease the extent of existing reliefs, but will facilitate control.

Treasury:

651(I) - Government stock; small estates

Purpose: to simplify the Bank's arrangements for dealing with small (less than £5,000 market value) holdings of holders who have died. Approved for the 1988 Bill but dropped through lack of time.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 4 October.

Key Points: a technical and non-controversial starter

652(I) - Gilt Redemption Monies: New Procedures

Purpose: to simplify the arrangements for paying redemption monies in gilts. Approved for the 1988 Bill but dropped through lack of time.

Revenue effect: NIL.

Staff effect: NIL.

Submissions: 4 October.

Key Points: a technical and non-controversial starter.

654(I) Redemption 3% 1986-1996: wind up of Annuities Account and Sinking Fund

Purpose: To end the annual £0.3m grant to the Annuities Account and appropriate to the Consolidated Fund the £1.7m residual surplus on the Annuities Account and Sinking Fund. The Economic Secretary has agreed that this starter should proceed.

Revenue effect: NEG.

Staff effect: NIL.

Submissions: 21 October.

Key Points: Unlikely to prove contentions (although propriety of appropriating the residual surplus to the Exchequer may be questioned).

D. Other Starters

As per list attached.

D. 'OTHER' STARTERS

<u>NO.</u>	<u>TITLE</u>	<u>STATUS</u>	<u>DATE OF MAIN SUBMISSION</u>
<u>Customs and Excise</u>			
8	Excise: simplified duty credit arrangements for tobacco	NSM	-
33	VAT: adjustment of input tax on capital goods	UCM	17.8.88 (related to starter 208)
<i>NSM (Piddin)</i> 39	Duty and tax relief for diplomats and visiting forces	UCM	21.10.88 <i>Now moved forward to list 'C'</i>
60	Prosecution time limits	NSM	-
61	Seizure at export of probable cash proceeds of drug tafficking	NSM	-

<u>NO.</u>	<u>TITLE</u>	<u>STATUS</u>	<u>DATE OF MAIN SUBMISSION</u>
<u>Inland Revenue</u>			
101	Amalgamation of MCA and APA	NSM	-
105	Benefits in kind: company cars - salary forgone	NSM	-
106	Benefits in kind: provided accommodation	NSM	-
109	Schedule E: post-cessation payments	UCM	-
110	Schedule E: lump sum payments	NSM	-
111	Testimonials for sportsmen	UCM	-
112	Review of Employee Share Schemes	NSM	-
113	Employee Share Option Plans (ESOPs)	NSM	-
115	Employees' material interest	NSM	-
116	Amendments to PRP	UCM	7. 7.88
119	Mixed residence and non-resident trusts	UCM	-
156	Unit Trusts: Basis of charge	NSM	-
202	Purchases of own shares by quoted companies	UCM	23.12.87
203	Entrepreneurs scheme	UCM	-

SECRET

205	Advance Corporation Tax (change of ownership, surrender)	NSM	-
208	Capital allowances and VAT	NSM	- (related to starter 33)
210	Hobby farming provisions: tightening up (rather than abolition)	UCM	20.10.88
212	Reopening of claims etc	UCM	-
214	Sports governing bodies	NSM	-
257	CGT: private Residence Relief	NSM	-
258	Lloyd's CG Treatment	NSM	-
260	Inheritance tax: liability of trustees	UCM	2.11.88
350	Oil abandonment: PRT/CT relief	UCM	-
352	Piper Disaster: PRT and CT treatment of insurance receipts (Note: this starter has been <u>provisionally</u> dropped)	UCM	26.9.88
353	PRT: relief for incremental oil field treatment	UCM	-
354	PRT oil allowance "Peak Shaver" fields	UCM	3.11.88
403	Tax rules for European Economic Interest Groupings	NSM	-
450	Keith Committee: administrative improvements	UCM	6.7.88
453	Deep discounted government and para-statal bonds	NSM	-
454	Electronic Payment of Dividends	UCM	27.10.88

<u>NO.</u>	<u>TITLE</u>	<u>STATUS</u>	<u>DATE OF MAIN SUBMISSION</u>
<u>Transport</u>			
600	Northern Ireland/GB Exemption	UCM	27.10.88
601	Trade Licensing	UCM	27.10.88
602	Special Types	UCM	27.10.88
603	Rigid Goods Vehicles	UCM	27.10.88
605	Recovery Vehicles	UCM	27.10.88
606	Dishonoured Cheques	UCM (for 89)	27.10.88
610	Mine Rescue	UCM	27.10.88
630	Failure to notify keeper changes	UCM	27.10.88
631	Update reference to "registration" to include "registration book"	UCM	27.10.88
632	Grass Cutting	UCM	27.10.88
633	Sale of Registration Numbers	UCM	27.10.88
<u>NO.</u>	<u>TITLE</u>	<u>STATUS</u>	<u>DATE OF MAIN SUBMISSION</u>
<u>Treasury</u>			
650	ITV Levy	UCM	11.10.88

CHANCELLOR'S MINOR STARTERS MEETING 2 NOVEMBER 1988

DRAFT AGENDA

Items not to be covered:

A. Subjects covered by separate meetings:

(i) Taxation of Savings:

- 150 - Charitable covenants;
- 151 - Charities - covenanted membership subscriptions;
- 152 - Tax relief for equity investment;
- 153 - Pensions : changes to tax rules;
- 154 - Miscellaneous allowances;
- 155 - Friendly Societies Protection Scheme;
- 301 - Stamp duty : rate on shares;
- 302 - Stamp duty : TAURUS.

(ii) Indirect Taxes:

- 30 - ECJ Judgement on zero-rating;
- 31 - Minor property changes;
- 32 - Charities;
- 41 - Passenger transport;
- 604 - Hackneys : VED Increase.

B. Annuals:

- 1 - Excise duty rates;
- 34 - Re-valorisation of registration/deregistration thresholds;
- 100 - Income Tax rates;
- 104 - Car benefits scales;
- 117 - Mortgage interest relief;
- 200 - C T rates;

- 201 - Small coys rate;
- 251 - CGT - annual exempt amount;
- 259 - IHT - thresholds and rates;
- 300 - Stamp Duty Threshold;
- 301 - Stamp Duty Rate on Shares (this starter is included in paragraph 1A(ii) also).

C. Starters already approved by the Chancellor, or have been dropped:

Included

- 3(I) - restriction of duty paid blending of made wine;
- 107(I) - reform of reliefs for relocation costs;
- 114(I) - taxation of employee priority in company flotations;
- 213(I) - extension of relief for pre-trading expenditure;
- 255(I) - CGT - technical changes;
- 256(I) - CGT chattels;
- 400(I) - tax deductible from tax credit payments to US companies;

Dropped

- 9(D) - abolition of match and mechanical lighter duties;
- 42(D) - car tax : reduction in the rate;
- 211(D) - Abolition of farmers' averaging provisions;
- 351(D) - PRT: tariffing issues;
- 607(D) - Minimum threshold for VED refunds;
- 608(D) - Abolition of VED refunds and six month licences;
- 609(D) - for 3 year first licensing for Vehicles;
- 653(D) - Gilts redemption monies : payment of interest on monies due to deceased holders.

D. Others

- 102 - benefits in kind : misc 1;
- 103 - benefits in kind : misc 2;
- 250 - CGT;
- 452)
- 63) - unauthorised disclosure of information provided to
Inland Revenue and Customs and Excise Departments.

→ 22/10

NOTE OF A MEETING HELD IN THE FINANCIAL SECRETARY'S OFFICE
ON 28TH OCTOBER 1988

MINOR BUDGET STARTERS

- Present: The Financial Secretary
- Mr Isaac)
 - Mr Painter)
 - Mr Beighton) Inland Revenue
 - Mr Bush)
 - Mr McManus)

 - Mr Culpin) Treasury
 - Mr Gilhooly)

 - Mrs Chaplin

The Financial Secretary decided to consider his own starters individually. The following points were made in discussion.

STARTER 101 (Amalgamation of MCA and APA)

buy

Mr Painter said that the target date for the submission was Mid-November but he questioned whether this was a firm starter. It would cut across the preparations already in hand for implementation of independent taxation and would be very difficult to explain to taxpayers. Mr Culpin felt that the Chancellor would probably decide to drop the idea at his meeting next week.

NOTE OF MTG 28 OCT

STARTER 104 (Benefits in Kind: Car and Car Fuel Benefits)

It was hoped to make a submission in early November; final decisions would no doubt turn in part on the decisions made on allowances and rates.

CONFIDENTIAL

STARTER 105 (Benefits in Kind: Company Cars - Salary Forgone)

*How much?
Losses info*

Mr Painter said there was significant revenue at stake. A submission should be prepared by Mid - November.

STARTER 106 (Benefits in Kind: Provided Accommodation)

Mr Painter explained that this starter was necessary in order to provide a measure of value for the benefit in kind in place of rateable value.

STARTER 107 (Reform of Reliefs for Relocation Costs)

Mr Painter said there would be a further submission in the light of legal advice on the extent of legislation needed.

STARTER 108 (Schedule E: Receipts Basis of Assessment)

NB Mr Painter said this would be a very useful simplification; with a significant Exchequer and staff saving after a transitional period in which there would be Budget and Staff Costs. The necessary legislation could be complex and prior consultation was not feasible. It was likely to be controversial for the small but vocal number of Schedule E taxpayers affected.

STARTER 109 (Schedule E: Post cessation Receipts)

This starter would be unnecessary if Starter 108 went ahead.

STARTER 110 (Schedule E: Lump Sum Payments)

The Financial Secretary was keen to see action on this starter.

CONFIDENTIAL

STARTER 118 (Trusts: General Review)

The Financial Secretary asked how the review was progressing. Mr Isaac said he was planning to submit a progress report in November. The present work was looking not only at what changes were needed because of Independent taxation and 1988 CGT changes, but also at the scope for a major simplification of the trust anti-avoidance provisions. The earliest realistic timetable for a major reform would be an announcement in the 1989 Budget followed by consultation on draft clauses in 1989, and legislation in 1990.

STARTER 119 (Mixed Resident and Non-Resident Trusts).

This starter mainly related to the Dawson case. It was agreed that the Financial Secretary might want to consider making a statement about closing the loophole (large sums were at stake) in the event that the House of Lords reached an adverse decision.

STARTER 150 (Charitable Covenants)

What happens in US?

Mr Isaac explained that the Revenue were considering the possibility of tax relief for one-off giving. One concern was to avoid the administrative nightmare of having to give tax relief for small gifts to charity (eg on flag days) and charities themselves would be loathe to give up the security represented by covenant income. A submission would be sent in early November on this.

STARTER 151 (Charities - Covenants Membership Subscriptions)

This related to the National Trust point. IR were working on the definition of a membership covenant and would be submitting their views in November.

STARTER 202 (Purchase of Own Shares by Quoted Companies)

Mr Isaac hoped to have a submission ready by the end of October. He was trying to obtain some more figures on the potential costs.

CONFIDENTIAL

STARTER 203 (Entrepreneurs Scheme)

It was noted that the Financial Secretary was having a meeting with Tim Smith MP and BVCA representatives on 15 November 1988.

STARTER 204 (BES)

The Financial Secretary hoped it would not be necessary to legislate any further on BES in 1989.

STARTER 205 (ACT)

This starter related to the Coats Viyella representations.

STARTER 206 (Close Company legislation)

Further work was being carried out on this.

The Financial Secretary asked if any work was being done on the offshore funds legislation. He emphasised that he was keen to find areas of legislation which could be removed or simplified in the light of the alignment of the IT and CGT rates, and the abolition of higher rates.

Mr Bush and Mr McManus said that it was intended to put up separate submissions on some of the ideas raised by James Arbuthnot and Phillip Hardman, including offshore funds. The Financial Secretary already has a note (Spence 20/9/88) on why it was necessary to retain the Accrued Income Scheme. He would like to see anti-avoidance legislation cut down as much as possible.

Mr Isaac commented that some preliminary work had been done on the possibilities in the run up to the 1985 Budget.

CONFIDENTIAL

Mr Painter noted that the proposals on the close company and settlements legislation were important and worthwhile suggestions in this area.

STARTER 207 (Capital Allowances: Safety at Sports Grounds)

This relates to last year's safety legislation (Submission now received)

STARTER 208 (Capital Allowances and VAT)

This starter depends on Customs' proposals to amend the VAT regulations to comply with the EC's 6th Directive.

The Financial Secretary asked for a short explanatory note on this before the Chancellor's starters meeting.

STARTER 210 (Abolition of Farmers' Averaging Provisions)

It was agreed that the idea of abolition had been dropped but ideas for tightening the present legislation on hobby farming were going to be considered.

STARTER 213 (Extension of Relief for Pre-trading Expenditure)

The Financial Secretary thought that an announcement was due to be made on this. He was expecting further advice on the effective date for the relief from Mr Isaac agreed to chase this up.

STARTER 214 (Sports Governing Bodies)

The Financial Secretary said that he had been under pressure during last year's Finance Bill to look into this. Although he had heard no further from any representative bodies, he wanted the idea to be considered so as to avoid similar complaints during the passage of the 1989 Bill.

CONFIDENTIAL

STARTER 215 (Life Assurance Review)

Mr Beighton said that the consultation period would be over at the end of October.

A submission would then be prepared discussing the next steps. It would be useful to decide what was to go into this year's Bill as soon as possible in order not to stretch Parliamentary Counsel's resources for next year's bill we could afford to devote to Life Assurance.

ev- Mr Beighton also pointed out that there was an important read across between the taxation of Life Assurance and that of Unit Trusts. If it was decided to bring the taxation of unit trusts more into line with that in Europe, there might be presentational difficulties, given the present level playing field arguments used in the Life Assurance consultative document.

Mr Culpin asked if anyone was taking stock of the 1992 implications for the tax system.

The Financial Secretary said that he understood that FIM were aware of the implications and were monitoring the situation.

STARTER 253 (CGT: Qualifying Corporate Bonds)

The Revenue were waiting for legal advice before submitting their proposals on this starter.

STARTER 258 (Lloyd's CG Treatment)

The Revenue were waiting for Lloyd's reaction to the decisions on the tax status of indexed bonds before finalising their proposals on this starter. However, Mr Beighton hoped to have a submission ready by the end of November.

CONFIDENTIAL

STARTER 401 (Sovereign Immunity)

It was agreed that 1989 might not be a good time for action on this starter in view of the BP/KIO issue.

STARTER 407 (Residence and Basis of UK Tax Liability for Individuals)

The consultation period will end on 30 November 1988. Mr Isaac would be submitting an interim report before then.

STARTER 450 (Keith Committee: Administrative Improvements)

The Financial Secretary was concerned by the estimate of 25 pages of legislation. Mr Beighton assured him that the contents of the Keith proposals were well known and generally accepted. The legislation should therefore be uncontroversial.

STARTER 452 (Unauthorised Disclosure of information provided to IR and C&E)

Mr Isaac explained that this was a consequential of the changes to the Official Secrets Act. The Revenue needed to establish some sort of compliance structure to deal with employees who reveal information about taxpayers. It was essential to protect the taxpayer's right to confidentiality.

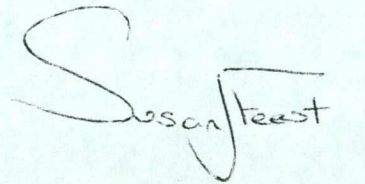
GENERAL POINTS

In response to a question from the Financial Secretary on the rate of progress on starters and the prospective workload, Mr Painter and Mr Isaac said that there was no immediate crisis but the small number of people involved faced the the prospect of another very large Bill. Work was not as far advanced as they would have liked at this stage and resources were visibly overstretched. The loss of another policy Assistant Secretary at this stage in a key area was particularly worrying. They would be doing everything they could to maintain progress and encourage the people doing the work. They hoped that the number of starters would be significantly reduced.

CONFIDENTIAL

The Financial Secretary was broadly content with the proposed agenda for the Chancellor's meeting next week.

With regard to Discarded Starters, he felt that E1 (Stamp Duty on Life Assurance) should be added to the list of other Stamp Duty starters.



SUSAN FEEST

cc PS/Chancellor
PS/Economic Secretary
Mr Scholar
Mr Culpin
Mr Gilhooly
Mrs Chaplin
Mr Isaac - IR
Mr Painter - IR
Mr Beighton - IR
Mr Bush - IR
Mr McManus - IR
PS - IR

FROM: R G MICHIE

DATE 13 October 1988

PM

- 1. MR GILHOOLY *PM* ^{3/2}
- 2. MR CULPIN ✓
- 3. FINANCIAL SECRETARY ✓

- cc PS/Chancellor
 PS/Chief Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Sir Peter Middleton
 Mr Scholar
 Mr Riley
 Miss Hay
 Mr Macpherson
 Mr Flanagan
 Miss Pollock
 Mr Sedgwick
 Mr Cropper
 Mr Call
 Mr Tyrie

In advance of Mr Shaw's submission (para 12), I suggest

you (a) look through the Revenue reference sheets &

- PS/IR *
- Mr Isaacs - IR *
- Mr Painter - IR *
- Mr Beighton - IR *
- Mr G Bush - IR *
- Mr Shaw - IR *
- PS/Customs *
- Mr Jefferson-Smith C&E *
- Mr Allan - C&E *
- Ms French - C&E *
- Mr Jenkins Parl Counsel

(b) decide whether you want to reinstate as starters anything from the list of discards.

* Excl reference sheets and "discards"

Re 18/10

1989 FINANCE BILL STARTERS

Attached is the first edition of the starters list for the 1989 Finance Bill including:

- (a) an index of the starters by type of taxation;
- (b) summary sheets listing the starters in numerical order with basic information on revenue and staff effects which will be revised as necessary;

MICHIE TO FST 13 OCT

I have all numbered these

(c) reference sheets providing background information which will not be updated unless the scope of the starter changes significantly.

2. We propose that the summary sheets be circulated on a regular basis - fortnightly at the early stages then weekly. Where the summary sheets contain no entry in the columns headed "revenue cost/yield" and "staff effect", the numbers either depend on the final decision taken or estimates have not yet been possible.

Number of starters

3. There are currently 114 (94) starters; 69 (61) originating from the Inland Revenue; 26 (23) from Customs; 14 (7) from the Department of Transport and 5 (3) from the Treasury; last year's figures are shown in brackets. Each starter has been allocated a unique reference number which remains unchanged throughout the Budget exercise and which should be used on all relevant submissions and other papers.

Classification

4. Each proposed measure has been allocated to one of the following categories:

- I - definitely included
- I* - provisionally included
- D - definitely dropped
- D* - provisionally dropped
- UCM - under consideration (at least one submission received by Ministers)
- NSM - a first submission to go to Ministers

Decisions have already been taken to definitely include 8 of the starters in the 1989 Bill and a further 5 starters have been provisionally included.

Submissions to Ministers/Instructions to Counsel

5. The current state of play seems to be:

	<u>I.R</u>	<u>C&E</u>	<u>Transport</u>	<u>Treasury</u>	<u>Total</u>
No of starters	69	26	14	5	114
Instructions to Counsel	1	2	13	2	18
At least one submission) to Ministers)	27	12	11	3	53

6. Customs and Excise have provided the Economic Secretary with an analysis of their starters. (Mr Jefferson-Smith's submission of 11 October - copied to you). The origins of the 69 "Inland Revenue" starters are as follows:

10 Annual starters

19 Treasury Ministers

5 Other Government Departments

9 Outside representations

20 Inland Revenue

6 Others (eg EC consequentials)

7. In endeavouring to keep the numbers within bounds, the Revenue have as ever had to be very selective. This means there are a number of candidates where although legislation may be

desirable, the Revenue have not felt that they command sufficient priority for action in 1989. However, this is very much a matter of judgement at the margin and to ensure that Ministers are content, we have prepared a separate list of 'discards'. The list is attached. One or more of these "discards" could, of course, be added back as starters if Ministers wish.

8. A number of starters are concerned with possible simplification, in particular:

- 108 Schedule E: receipts basis of assessment
- 118 Trusts - income tax review
- 206 Close company legislation
- 210 Abolition of hobby farming provisions
- 211 Abolition of farmers' averaging provisions
- 402 Residence and basis of UK tax liability for individuals
- 451 Sub-contractor tax schemes

Customs have a number of 'deregulatory" starters (see paragraph 6 of Mr Jefferson-Smith's submission to the Economic Secretary) and there could be presentational advantages in linking these Revenue and Customs starters as part of a deregulatory and pro-business "theme".

Length of Finance Bill

9. At this stage it is not possible to give a reliable assessment of the length of the Finance Bill. Estimates for individual measures are still very tentative and in some cases no estimate is possible.

10. In the light of past experience we would expect the addition of new items and upward amendment of existing starters, to significantly increase the length of legislation estimated at the outset. If the Bill is not to become unmanageable, Ministers will need to be fairly stringent at an early stage with some of the lower priority items.

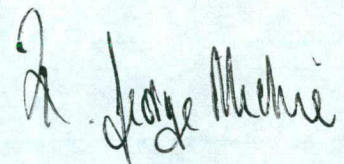
Handling

11. Inclusion of an item on the starters list does not, of course, imply policy approval. Separate submissions will be put to Ministers on each of the measures. It would be helpful if early decisions could be taken on any "free standing" proposals in order to try and avoid bunching at the drafting stage wherever possible. FP will monitor overall progress and advise if the timetable is beginning to look difficult.

Minor Starters

12. The Chancellor proposes to have a meeting on minor starters on 2 November, and we understand that your Private Office has 'pencilled' in a minor starters meeting with officials for 24 October. Mr Shaw of the Inland Revenue will provide an annotated agenda and further progress report on starters for your meeting with officials. He will arrange also for further notes on any of the "discards" if you wish.

13. The Economic Secretary's office will be arranging separate meetings with officials to cover starters on indirect taxes and oil/other.



R G MICHIE

Date 13 October 1988

1989 BUDGET STARTERS INDEX

CUSTOMS & EXCISE

EXCISE DUTIES

1. Duty Rates
2. Power to estimate revenue duties payable
3. Restriction of duty paid blending of made wine
4. Measurement and Declaration of original gravity of beer
5. Misdescription of substance as beer
6. Oil duties reliefs
- ? — 7. Abolition of gas oil and fuel oil duties
8. Simplified duty credit arrangements for tobacco
9. Abolition of match and mechanical lighter duties.

VAT

30. ECJ Judgement on zero rating
31. Minor property changes
32. Charities
33. Adjustment of input tax on capital goods
34. Revalorisation of registration and deregistration thresholds
35. Simplification of registration requirements
36. Right to repayment of VAT/Excise duties (and consequential changes).
37. Bad debt relief
38. Review of default surcharge
39. Duty and tax relief for diplomats and visiting forces.
40. Research and Development cars
41. Passenger transport
- ~~42. Car Tax: Reduction of rate.~~

BUDGET
STARTERS
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60. Prosecution time limits
61. Seizure at export of probable cash proceeds of drug trafficking
62. London Port Banking: Amendment of Customs & Excise Management Act 1979 Section 17
63. Unauthorised disclosure of confidential information obtained under statutory provisions.

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- 101 Independent Taxation: minor consequential changes
- ? 102 Benefits in kind: Misc 1
- ? 103 Benefits in kind: Misc 2
- 104 Benefits in kind: car and car fuel benefit
- 105 Benefits in kind: company cars - salary forgone
- 106 Benefits in kind: provided accommodation
- 107 Reform of reliefs for relocation costs
- 108 Schedule E: receipts basis of assessment
- 109 Schedule E: post cessation receipts
- 110 Schedule E: lump sum payments
- 111 Taxation of testimonial payments to sportsmen
- 112 Review of employee share scheme legislation
- 113 Employee Share Ownership Plans (ESOPs)
- 114 Taxation of employee priority in company flotations
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- 116 Amendments to PRP
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- 153 Pensions: changes to tax rules
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- 201 Small companies rate of CT for Financial Year 1989
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- 206 Close company legislation
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- 208 Capital allowances and VAT
- 209 Capital allowances: pre-consolidation amendments
- 210 Abolition of hobby farming provisions
- 211 Abolition of farmers' averaging provisions
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- 213 Extension of relief for pre-trading expenditure
- 214 Sports governing bodies
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- 251 CGT: annual exempt amount
- 252 CGT: gifts relief
- 253 CGT: qualifying corporate bonds
- 254 CGT: non-resident companies trading in the UK
- 255 CGT: technical changes associated with rebasing
- 256 CGT: chattels exemption
- 257 CGT: private residence relief

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- 259 IHT: threshold and rates
- 260 IHT: liability of trustees

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- 301 Stamp duty: rate on shares
- 302 Stamp duty: TAURUS

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- 350 Oil abandonment: PRT/CT reliefs
- 351 PRT: tariffing issues
- 352 Piper disaster: PRT and CT treatment of insurance receipts
- 353 PRT: relief for incremental oil field investment
- 354 PRT: Oil allowance: 'Peak Shaver' fields

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- 401 Sovereign Immunity
- 402 Residence and basis of UK tax liability for individuals
- 403 Tax rules for European Economic Interest Groupings (EEIGs)

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- 451 Sub-contractor tax scheme
- 452 Unauthorised disclosure of information provided to Inland Revenue and Customs and Excise departments
- 453 Deep discounted government and foreign para-statal bonds
- 454 Electronic payment of dividends

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- 601 - Trade Licensing - Rate Increase
- 602 - Special Types: VED Rate Increase
- 603 - Rigid Goods Vehicles: VED Rate Increase
- 604 - Hackneys: VED Rate Increase: Simplification of Tax Structure
- 605 - Recovery Vehicles
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- 607 - Minimum threshold for VED refunds
- 608 - Abolition of VED refunds and six month licences
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- 652 - Gilts redemption monies: new procedures
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BUDGET STARTERS SUMMARY SHEETS

CONFIDENTIAL

Date 13 October 1988

[Updated 4.11]

CUSTOMS AND EXCISE BUDGET STARTERS: SUMMARY SHEETS

1	2	3	4	5	6	7	8	9	10	11
No.	Description	Status	Date main subm	Revenue £m		Staff Effect		Legislation		Other Comments
				cost(-)/Yield(+) 1989/90	1990/91	1/4/90	1/4/91	Length	Date Inst. sent to Counsel	
1.	Excise: duty rates	NSM	-	+1060	+2120	Nil	Nil	2 pages and 12 pages of schedules		1989-90 revenue yield based on revalorisation of 6.7%. 1990-91 yield assumes a further reval- orisation of 5.7%
2.	Excise: power to estimate revenue duties payable	I	6.10.88	Neg	Neg	Nil	Nil	3 lines	20.10.88	
3.	Excise: restriction of duty-paid blending of made-wine	I	29.9.88	Neg	Neg	Nil	Nil	1 page	7.10.88	
4.	Excise: measurement and declaration of original gravity of beer	I	6.10.88	Neg	Neg	Nil	Nil	8 lines	3.11.88	
5.	Excise: misdescription of substances as beer	I	14.10.88	Neg	Neg	Nil	Nil	2 lines	21.10.88	

[Updated 4.11]

CUSTOMS AND EXCISE BUDGET STARTERS: SUMMARY SHEETS

1	2	3	4	5	6	7	8	9	10	11	
No.	Description	Status	Date		Revenue £m		Staff Effect		Legislation		Other Comments
			main	subm	cost(-)/Yield(+)		1/4/90 1/4/91		Length	Date	
					1989/90	1990/91				Inst. sent to Counsel	
6.	Excise: oil duties relief	I*	31.8.88	Nil	Nil	Nil	Nil	5 lines and 1/2 page schedule			
7.	Excise: abolition of gas oil/fuel oil duties	UCM		-160	-160	-5	-5	1 page			
8.	Excise: simplified duty credit arrangements for tobacco	NSM		Nil	Nil	Neg	Neg	1 page			
9.	Excise: matches and mechanical lighter duties: abolition	D	7.10.88	-20	-20	-9	-9	5 lines			EST agreed to drop - 10/10/88
30.	VAT: ECJ judgement on zero rates	I	28.6.88	+70	+110	+88	+170	2-3 pages 8.9.88			Decisions on subsidiary elements still required. Further sub-
31.	VAT: minor property changes	I	12.4.88	+5	+20	Nil	Nil	1 page 8.9.88			missions in due course.
32.	VAT: charities	NSM		-5	-5	Neg	Neg	None (Treasury Order)			

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CUSTOMS AND EXCISE BUDGET STARTERS: SUMMARY SHEETS

1	2	3	4	5	6	7	8	9	10	11
No.	Description	Status	Date main subm	Revenue £m cost(-)/Yield(+)		Staff Effect		Legislation Length	Date Inst. sent to Counsel	Other Comments
				1989/90	1990/91	1/4/90	1/4/91			
33.	VAT: adjustment of input tax on capital goods	UCM	17.8.88	+15/20	+20/30	Nil	Nil	10 lines or Treasury Order		
34.	VAT: revalorisation of registration/deregistration thresholds	NSM		Neg	Neg	Nil	Nil	None (Treasury Order)		
35.	VAT:simplification of registration requirements	UCM	14.10.88	-40	-100	Neg	Neg	30 lines		Instrns to Solicitor's Office 2.11.88
36.	Right to repayment of VAT/excise duties and consequential changes	I	1.9.88	Nil	Nil	Nil	Nil	1/2 page		
37.	VAT: bad debt relief	UCM	14.10.88	-50	-150	+20 (perm)	+20	1 page	25.10.88	
38.	VAT:review of default surcharge	NSM		-15	- 20	Nil	Nil	1 page		Instrns to Solicitor's Office on 21.10.88

CUSTOMS AND EXCISE BUDGET STARTERS: SUMMARY SHEETS

1	2	3	4	5	6	7	8	9	10	11
No.	Description	Status	Date	Revenue £m		Staff Effect		Legislation		Other Comments
			main subm	cost(-)/Yield(+) 1989/90	1990/91	1/4/90	1/4/91	Length	Date Inst. sent to Counsel	
39.	Duty and tax relief for diplomats and visiting forces	I	21.10.88	Nil	Nil	Nil	Nil	1/2 page		
40.	VAT:research and development cars	I*	31.8.88	-5	-5	Nil	Nil	None (Treasury Order)		
41.	VAT:passenger transport	UCM	2.11.88	Depends on decisions		N/K	N/K	1/2 page		
42.	Car tax: rate change	D	3.10.88	Depends on decisions		Nil	Nil	3 lines		
60.	Prosecution time limits	NSM		Nil	Nil	Nil	Nil	30 lines	1.11.88	
61.	Seizure at export of probable cash proceeds of drug trafficking.	NSM		Nil	Nil	Nil	Nil	N/K		

CUSTOMS AND EXCISE BUDGET STARTERS: SUMMARY SHEETS

1	2	3	4	5	6	7	8	9	10	11
No.	Description	Status	Date	Revenue £m		Staff Effect		Legislation		Other Comments
			main subm	cost(-)/Yield(+)	1989/90	1990/91	1/4/90	1/4/91	Length	
62.	London Port banking: amendment to CEMA Section 17	I	21.9.88	Nil	Nil	Nil	Nil	2 lines	1.11.88	
63.	Unauthorised dis- closure of confidential information	NSM		Nil	Nil	Nil	Nil	1/2 page or schedule		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mm}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation		Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
100	Income Tax: allowances, basic rate limits and rates	NSM		Depends on decisions		Depends on decisions		2/3		
101	Amalgamation of MCA and APA	NSM		Depends on scope of any changes				Several pages		
102	Benefits in Kind - Misc 1	I*	22.7.88	Of the order of -20 initially		Depends on decisions		2		
103	Benefits in Kind - Misc 2	UCM	17.8.88	Small cost		Neg		1		
104	Benefits in Kind: car and car fuel benefit	NSM		Depends on decisions		Neg Neg		Up to 1 1/2		
105	Benefits in Kind: company cars - salary forgone	NSM		Nil but potential loss if not adopted		Nil		Few lines		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mm}	Revenue £m cost(-)/yield(+)		Staff Effect		Legislation		Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
106	Benefits in Kind: provided accommodation	NSM		Depends on decisions		Depends on decisions		2-3 (more with transitional rules)		
107	Reform of relief for relocation costs	I	27.7.88	Depends on starting date. Eventual yield of order of +100		[Probably small - may depend on extent to which employers gross up]		Depends on decisions		
108	Schedule E: Receipts Basis	UCM		-60	-80	+10	+40	5-10		Full year yield of +£50m. Full year staff saving of 175.
				(Figures subject to amendment depending on decisions)						
109	Schedule E: post cessation receipts	UCM		Probably negligible	Probably negligible	Nil	Probably insignificant	1/2-1		
110	Schedule E: lump sum payments	NSM		Depends on decisions		Nil	[Probably insignificant]	1-2		
111	Testimonials for sportsmen	UCM		Neg	Neg	Nil	Neg	1-2		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mm}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				1989/90	1990/91	1/4/90	1/4/91			
112	Review of Employee Share Schemes	NSM			Variety of possible relaxations under consideration, but cost seems likely at present to be small		Probably negligible		Up to 2-3	
113	Employee Share Option Plans (ESOPs)	NSM			Cost depends on selection from range of possible tax reliefs and on take-up. Currently unpredictable		Possibly + 2 to 3 Inspectors		Up to 3	
114	Taxation of employee priority in company flotations	I	8.9.88	Neg	Neg	Nil	Nil		Up to 1	
115	Employees' material interest	NSM			Probably negligible		Nil Nil		Up to 1	
116	Amendments to PRP	UCM	7.7.88		Large variety of changes in conditions for and levels of PRP tax relief under consideration. Revenue cost as yet unpredictable		(Some staff cost likely)		Up to 10	4.8.88 11.8.88 (part only & prov ^{nl})

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[updated 4. 11].

1 No	2 Description	3 Status	4 Date of main sub ^{mn}	5 Revenue fm cost(-)/yield(+)		7 Staff Effect		9 Legislation		11 Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
115	Employees' material interest	NSM		Probably negligible		Nil	Nil	Up to 1		
116	Amendments to PRP	UCM	7.7.88	Large variety of changes in conditions for and levels of PRP tax relief under consideration. Revenue cost as yet unpredictable		(Some staff cost likely)		Up to 5	4.8.88 11.8.88 (part only & prov ^{nl})	
117	Mortgage interest relief limit for 1989-90	NSM		<u>Limit unchanged at £30,000</u>		Nil	Nil	Nil	Nil	Few lines
				<u>Increase to £35,000</u>		-320	-400	-5	-5	
				<u>Increase to £40,000</u>		-530	-690	-10	-10	
118	Trusts: general review	UCM		Depends on decisions		Depends on decisions		N/K		

Decrease 15725,000!

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation		Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
117	Mortgage interest relief limit for 1989-90	NSM		<u>Limit unchanged at £30,000</u>						
				Nil	Nil	Nil	Nil		Few lines	
				<u>Increase to £35,000</u>						
				-320	-400	-5	-5			
				<u>Increase to £40,000</u>						
				-530	-690	-10	-10			
118	Trusts: general review	UCM		Depends on decisions		Depends on decisions			N/K	
119	Mixed residence and non-resident trusts	UCM		Aim is to prevent a loss not included in forecasts		Depends on decisions			N/K	
150	Charitable covenants	NSM		N/K	N/K	N/K	N/K		N/K	
151	Charities: covenanted membership subscriptions	UCM		N/K	N/K	N/K	N/K		1	

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue £m		Staff Effect		Legislation		Other comments
				cost(-)/yield(+)		1/4/90	1/4/91	Length	Date inst. sent to Counsel	
				1989/90	1990/91					
152	Tax relief for equity investment	UCM	18.10.88	Depends on decisions		Depends on decisions		Depends on decisions		
153	Pensions: changes to tax rules	UCM	17.10.88	Depends on decisions		Depends on decisions		Depends on decisions		
154	Miscellaneous allowances	UCM		Nil	-30	+10	+25	1-2		
155	Friendly Societies Protection Scheme	I	9.9.88	Neg	Neg	Nil	Nil	1/4		
156	Unit trusts: basis of charge	NSM		N/R	N/R	N/R	N/R	N/R		
200	Main CT rate for Financial Year 1989	NSM		Yield/cost of 1 per cent change		Nil	Nil	2 lines		Submission in January
				10	470					
201	Small companies rate of CT for Financial Year 1989	NSM		Yield/cost of 1 per cent change		Nil	Nil	4-9 lines		Submission in January
				Neg	30					

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[Updated 4.11]

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue £m cost(-)/yield(+)		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				1989/90	1990/91	1/4/90	1/4/91			
204	Business Expansion Scheme	NSM		N/K	N/K	N/K	N/K	N/K		Submission in November.
205	Advance Corporation Tax (change of ownership, surrender)	NSM		Small		Neg	Neg	1		
206	Close company legislation	UCM	25.8.88	Cost depends on decisions - could exceed £100m in each year.		Probably neg, depending on decision		Up to 5 for apportionment		Further submissions in due course.
207	Capital allowances at sports grounds	I	28.10.88	Neg	Neg	Neg	Neg	1/2		
208	Capital allowances and VAT	NSM		Neg	Neg	Neg	Neg	N/K		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				1989/90	1990/91	1/4/90	1/4/91			
207	Capital allowances at sports grounds	I	28.10.88	Neg	Neg	Neg	Neg	1/2		
208	Capital allowances and VAT	NSM		Neg	Neg	Neg	Neg	N/K		
209	Capital allowances: pre-consolidation amendments	I	28.10.88	Depends on decisions but should be very small		Neg	Neg	5	4.11.88	
210	Hobby farming provisions	UCM	20.10.88	Neg	-5	Neg	Neg	Few lines		
211	Abolition of farmers' averaging provisions	D	20.10.88	---	---	---	---	---		
212	Reopening of claims etc	UCM		Neg	Neg	Depends on details		1		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation		Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
213	Extension of pre-trading expenditure relief	I	8.9.88	N/K	N/K	N/K	N/K	Few lines		
214	Sports governing bodies	NSM		Depends on details		Depends on details		Probably short		
215	Life Assurance Review	UCM		Depends on decisions		Depends on decisions		30+		Initial submission to FST on 21.10.88
250	CGT	NSM		Depends on decisions		Depends on decisions				
251	CGT: Annual Exempt Amount	NSM		Nil*	-10	No staff effect assuming revalorisation, staff addition if not revalorised as follows		Few lines (in event of non revalorisation).		
				* assuming revalorisation		Nil	+25			

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue fm		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				cost(-)/yield(+)						
				1989/90	1990/91	1/4/90	1/4/91			
252	CGT: Gifts relief	UCM	24.10.88	Nil	+20	Neg	Neg	Up to 3		Full year yield £50m
253	CGT: Qualifying Corporate Bonds	NSM		Up to £100m revenue at risk per annum if no action taken.		Nil	Nil	Up to 1		
254	CGT: Non-resident companies trading in the UK.	NSM		Substantial revenue at risk if no action taken.		Neg	Neg	Up to 2		
255	CGT: Technical changes associated with rebasing	UCM	17.10.88	Neg	Neg	Neg	Neg	1 1/2	30.8.88 (prov ^{nl})	
256	CGT: Chattels exemption	I	20.10.88	Probably Neg		Modest staff savings		Few lines	2.11.88	

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mn}	Revenue fm		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				cost(-)/yield(+)						
				1989/90	1990/91	1/4/90	1/4/91			
257	CGT: Private Residence Relief	NSM		Neg	Neg	Neg	Neg	Up to 1		
258	Lloyd's CG treatment	NSM		Nil	+5	Nil	-10	1		Full year yield +£50m
259	IHT - threshold and rate	NSM		-25	-55	Indexation alone will add to staff needs (increase of 30% in caseload)		1/2 (if no automatic indexation)		The costs reflect the effect of automatic indexation and are already assumed in the forecast.
260	Inheritance tax: liability of trustees	UCM	2.11.88	Uncertain	Uncertain	Nil	Nil	1/4		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[Updated 4.11]

1 No	2 Description	3 Status	4 Date of main sub ^{mn}	5 Revenue fm cost(-)/yield(+)		7 Staff Effect		9 Legislation Length	10 Date inst. sent to Counsel	11 Other comments
				1989/90	1990/91	1/4/90	1/4/91			
259	IHT - threshold and rate	NSM	/	-25	-55	Indexation alone will add to staff needs (increase of 30% in caseload)	1/2	(if no automatic indexation)	The costs reflect the effect of automatic indexation and are already assumed in the forecast.	
260	Inheritance tax: liability of trustees	NSM	/	Uncertain	Uncertain	Nil	Nil	1/4		
300	Stamp duty on houses and land: threshold	NSM	/	£30,000 (present threshold)						
				Nil	Nil	+10	+10	No change		
				<u>£40,000</u>						
				-90	-95	Nil	Nil	1/3		
				<u>£50,000</u>						
				-195	-205	-15	-15	1/3		
				<u>£70,000</u>						
				-435	-465	-30	-30	1/3		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[Updated 4.11.]

1 No	2 Description	3 Status	4 Date of main sub ^{mn}	5 Revenue fm cost(-)/yield(+)		7 Staff Effect		9 Legislation		11 Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
301	Stamp duty: rate on shares	I*	17.10.88	0.25%	-310	-340	+10	+10	1/4	
				<u>Abolish</u>	-800	-1000	-50	-60	1/2-1	
302	Stamp duty: TAURUS	D*		Neg	Neg	Perhaps +10	As 1/4/90		Depends on precise form of changes needed	
350	Oil abandonment: PRT/CT relief	UCM		Neg	Neg	Nil	Nil		Up to 10-15 depending on what changes are implemented	Preliminary submissions to EST on 30.10.87 and 5.5.88
351	PRT: tariffing issues	D	26.10.88	+5 to 15*	+15 to 25*	Nil	Nil		1/2-3	

*Wb nbro
consequence*

*Re-calculated
of date as per
minutes of
Januar*

* Depending on what changes are implemented

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BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[updated 4.11.]

1 No	2 Description	3 Status	4 Date of main sub ^{mn}	5 Revenue fm cost(-)/yield(+)		7 Staff Effect		9 Legislation		11 Other comments
				1989/90	1990/91	1/4/90	1/4/91	Length	Date inst. sent to Counsel	
352	Piper Disaster: PRT and CT treatment of insurance receipts	D*	26.9.88	+90 [max cost in 1988/89 about £m250]	+50	Nil	Nil	2		
353	PRT: relief for incremental oil field investment	UCM		Depends on decisions		Depends on decisions		Depends on decisions		Preliminary submissions to EST on 28.7.88 and 5.8.88
354	PRT oil allowance: "Peak Shaver" fields	UCM	3.11.88	Nil	Nil	Nil	Nil	N/K		
400	Tax deductible from tax credit payments to US companies	I	6.9.88	Without legislation there could be a revenue cost of £15m a year (plus £68m in respect of past years)		Nil	Nil	Less than 1/2	13.10.88	
401	Sovereign immunity	UCM	12.7.88	+100 if most radical option were adopted		Neg	Neg	3 (provisional)		
402	Individual residence	NSM		Possibly yield of £50m		Possible saving of [10] units		10 (provisional)		

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13 October 1988

[updated 4.11]

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main sub ^{mm}	Revenue fm cost(-)/yield(+)		Staff Effect		Legislation Length	Date inst. sent to Counsel	Other comments
				1989/90	1990/91	1/4/90	1/4/91			
403	EEIG's	NSM		Neg	Neg	Neg	Neg	3		
450	Keith Committee: administrative improvements	IM	6.7.88	N/K	N/K	N/K	N/K	25	12.9.88 19.10.88 (part only + provisional)	
451	Sub-contractor tax scheme	UCM	14.10.88	Depends on decisions		Depends on decisions		12		Scrutiny report delivered end-July. Action plan due end-October.
452	Unauthorised disclosure of information provided to IR and C&E	UCM		Nil	Nil	Nil	Nil	5		Joint measure with C&E
453	Deep discounted government and para-statal bonds	NSM		Nil	Neg	Neg	Neg	1		
454	Electronic payment of dividends	UCM	27.10.88	N/K	N/K	N/K	N/K	<1		Timing of legislation depends on successful result of discussions hw

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BUDGET STARTERS: SUMMARY SHEETS

DEPARTMENT OF TRANSPORT

Date 4 NOVEMBER 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main Submission	Revenue £m cost(-)/Yield(+)		Staff Effect		Legislation Length	Date of Inst. to Counsel	Other Comments
				1989/90	1990/91	1/4/90	1/4/91			
600	Northern Ireland /GB Exemption	UCM	4.11.88	NIL	NIL	NIL	NIL	12 lines	9.8.88	
601	Trade Licensing	UCM	4.11.88	+NEG	+NEG	NIL	NIL	N/K	9.8.88	
602	Special Types	UCM	4.11.88	+NEG	+NEG	NIL	NIL	C-2-3 lines S-1 table (not confirmed)		
603	Rigid Goods Vehicles	UCM	4.11.88	+£138m		NIL	NIL	C-2-3 lines S-1 tables (not confirmed)		
604	Hackneys	UCM	4.11.88	+£ 20m	+£20m	NIL	NIL	C-2-3 lines S-1 table (not confirmed)	9.8.88	
605	Recovery Vehicles	UCM	4.11.88	NIL	NIL	NIL	NIL	4-6 lines		
606	Dishonoured Cheques	UCM (for 89)	4.11.88	+NEG	+NEG	N/K	N/K	C-2 pages		

BUDGET STARTERS: SUMMARY SHEETS

DEPARTMENT OF TRANSPORT

										Date	4 November 1988
1	2	3	4	5	6	7	8	9	10	11	
No	Description	Status	Date of main Submission	Revenue £m cost(-)/Yield(+)		Staff Effect		Legislation Length	Date of Inst. to Counsel	Other Comments	
				1989/90	1990/91	1/4/90	1/4/91				
607	Minimum threshold for Refunds	D		+NEG	+NEG	NIL	-20?	C-25 lines			
608	Abolishing refunds /6 month licensing	D		-10	-40	NIL	-100?	N/K			
609	Mandatory 2 or 3 year First Licensing	D		+N/K	+N/K	NIL	-NEG	N/K			
610	Mine Rescue	UCM	4.11.88	NIL	NIL	NIL	NIL	c-6-8 lines	9.8.88		
630	Failure to notify keeper changes	UCM	4.11.88	NIL	NIL	NIL	NEG?	N/K			
631	Update reference to "registration" to include "registration book"	UCM	4.11.88	NIL	NIL	NIL	NIL	N/K			
632	Grass Cutting Vehicles	UCM	4.11.88	-NEG	-NEG	NIL	NIL	C-4 lines			
633	Sale of Registration Numbers	UCM	4.11.88	+NEG	up to £50m Per year	+NEG	+20	C-4-5 lines S 1½ pages	June 88		

BUDGET STARTERS: SUMMARY SHEETS

HM TREASURY

Date 4 November 1988

1	2	3	4	5	6	7	8	9	10	11
No	Description	Status	Date of main Submission	Revenue £m		Staff Effect		Legislation Length	Date of Inst. to Counsel	Other Comments
				cost(-)/Yield(+)		1/4/ 90	1/4/91			
650	ITV Levy	UCM	11.10.88	NIL	+40	NIL	NIL	up to 1 page		Alteration of levy on profits either to a revenue levy or a mixed revenue/profit system
651	Government stock: small estates	I	4.10.88	NEG	NEG	NEG	NEG	12 lines	18.8.88	Simplification of the Bank's arrangements for dealing with small holdings of the deceased.
652	Gilts Redemption Monies: New Procedures	I	4.10.88	NEG	NEG	NEG	NEG	15-20 lines	18.8.88	Simplification of current arrangements
653	Gilts Redemption Monies: Payment of Interest on monies due to deceased holders	D	4.10.88	NIL	-NEG	NEG	NEG	combined with 652		To enable the Bank to pay a sum in lieu of interest on redemption monies delayed
654	Redemption 3% 1986-1996: wind up of Annuities Account and Sinking Fund	I	21.10.88	NEG	NEG	NIL	NIL	½ page		

BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: DUTY RATES

STARTER NUMBER: 1

CLASSIFICATION: A

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
+ 1060	+2120		Nil	Nil	2 pages of legislation and 12 pages of schedule
Ministers in lead	Chancellor		PCTA or equivalent resolution required		Yes-up to 8 separate resolution

ORIGIN OF STARTER: CUSTOMS. (Treasury for Vehicle Excise Duty (VED))

BACKGROUND AND COMMENTS:

Revenue yield is based on revalorisation of all specific excise duties (including VED) by 6.7 per cent, the inflation rate assumed for the 12 months prior to December 1988. The 1990-91 yield is based on a further revalorisation of 5.7 per cent. The yield assumes that the duties on fortified wines and the unleaded petrol differential will remain unchanged. Both elements of the duty structure will be reviewed separately in the Autumn.

The official Treasury (FP) has policy responsibility for VED. Of the estimated length of legislation, 1 page plus 11 pages of schedule are attributable to VED.

A submission on excise duty rates will be made before Christmas.

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***HEALTH WARNING** The data reports the position at the time of issue of each Reference Sheet and will be updated only if the scope of the Starter changes significantly. Latest information for all items can be found on the Summary Sheets.

BUDGET
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STARTER: REFERENCE SHEET

TITLE: EXCISE: POWER TO ESTIMATE REVENUE DUTIES PAYABLE

STARTER NUMBER: 2

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Neg	Neg		Nil	Nil	3 lines
Ministers in lead		EST	PCTA or equivalent resolution required		
					No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

CEMA s116A(1) permits the Commissioners to estimate the duty payable by warehousekeepers and distillers in prescribed circumstances. The proposal is to extend the power to estimate duty payable to cover all revenue traders. Although it is aimed primarily at brewers, cider makers and made-wine producers it could be valuable in some other revenue duties - for example, hydrocarbon oils and tobacco products duties reliefs. Our experience in recent beer duty cases suggest that up to £5 million is a realistic estimate of potential yield. The change would implement in part a recommendation of the Keith Committee which suggested a uniform estimation code.

There would be no compliance costs.

A submission will be made in early October.

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STARTER: REFERENCE SHEET

TITLE: EXCISE: RESTRICTION OF DUTY-PAID BLENDING OF MADE-WINE

STARTER NUMBER: 3

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*	
cost(-)/yield(+)	1989/90		1/4/90	1/4/91		
Neg	Neg		Nil	Nil	1 page	
Ministers in lead	EST				PCTA or equivalent resolution required	No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

The Finance Act 1985 amended ALDA to provide that the blending of wines liable to different rates of duty after the duty point constitutes production and therefore gives rise to a further duty charge. There is no such restriction on the blending of made-wines. This divergence is the subject of a complaint to the Commission by the Spanish sherry producers alleging discrimination. We expect the Commission will give its opinion on the case before publication of next year's Finance Bill, and that there will be consequent pressure for a change in the law. The provision would have no effect on compliance costs.

A submission will be made by the end of September.

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BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: MEASUREMENT AND DECLARATION OF ORIGINAL GRAVITY OF BEER

STARTER NUMBER: 4

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Neg	Neg		Nil	Nil	8 lines
Ministers in lead		EST	PCTA or equivalent resolution required		
					No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

This is a revenue protection measure which arises from a recent case involving substantial beer duty underdeclarations. Some uncertainty in the law affecting original gravity declarations - the basis for calculating beer duty - was identified. We propose to amend ALDA to put the calculations of the duty on a firm legal footing.

There would be a minimal effect on compliance costs.

A submission will be made in early October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: MISDESCRIPTION OF SUBSTANCES AS BEER

STARTER NUMBER: 5

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Neg	Neg		Nil	Nil	2 lines
Ministers in lead		EST	PCTA or equivalent resolution required		No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

ALDA s73 makes it an offence to describe any substance as beer unless beer duty has been paid. This was originally a revenue protection measure which has now been overtaken by social considerations, and we have chosen not to enforce the section in respect of "low alcohol beers". We propose to repeal the section and remove an apparent legal obstacle to the production of these, which the government is seeking to encourage as part of its efforts to counter alcohol misuse. There would be a minimal effect on compliance costs.

A submission will be made in early October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: OIL DUTIES RELIEFS

STARTER NUMBER: 6

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Nil	Nil		Nil	Nil	5 lines and 1/2 page schedule
Ministers in lead	EST	PCTA or equivalent resolution required			No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

This proposal would replace the 4 current oil duties extra-statutory concessions by a straightforward provision permitting the remission or repayment in whole or in part of the duties charged under the oil duties legislation. Similar provision is already made for tobacco products, UK wine and cider duties and for excise warehousing. The proposal would also pave the way for the developing technology of oil vapour recovery where petrol etc vapour lost in the course of dutiable deliveries is recycled into duty-free refinery stocks. Recovery is desirable on environmental and energy policy grounds and its economic viability would be assisted if the double charge to duty on subsequent delivery could be relieved.

The provision would have no effect on compliance costs. Length of legislation estimated without PC advice.

A submission was sent to the EST on 31 August.

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***HEALTH WARNING** The data reports the position at the time of issue of each Reference Sheet and will be updated only if the scope of the Starter changes significantly. Latest information for all items can be found on the Summary Sheets.

BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: ABOLITION OF GAS OIL AND FUEL OIL DUTIES

STARTER NUMBER: 7

CLASSIFICATION: A

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
-160	-160		-5	-5	1 page

Ministers in
lead ESTPCTA or equivalent
resolution required

Yes

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS: Abolition of fuel oil duty has been examined on many occasions in previous years but consistently rejected because a reduction in this duty would increase the price of natural gas supplied to and by British Gas under a number of commercial contracts, principally that for supplies from the Norwegian sector of the Frigg Field. However, Frigg is depleting faster than expected, and may be effectively off-stream by late 1989 or early 1990, with a rapid run down in the last 18 months of its life. At the request of PE and FP Treasury, abolition of gas oil duty is also being considered on supply side grounds.

With Ministerial authority, Customs are consulting the Departments of Energy and Trade and Industry on the detailed consequences of abolition either at the 1989 or 1990 Budgets. Abolition of both duties would remove all remaining oil duty burdens on business, apart from the duties on road fuel. There would be the opportunity for significant simplifications in oil duty controls, and the end of official oversight of a number of bonded warehouses and remote marking points. There would also be deregulatory benefits for businesses, especially fishing and horticulture, where fuel and gas oil duty relief schemes would become superfluous. Length of legislation, estimated without PC advice, also reflects some consequential changes to the control legislation.

A submission will be made at the end of October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: EXCISE: SIMPLIFIED DUTY CREDIT ARRANGEMENTS FOR TOBACCO

STARTER NUMBER: 8

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Nil	Nil		Neg	Neg	1 page
Ministers in lead		EST	PCTA or equivalent resolution required		
			No		

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

Because tobacco products become stale with age, the law allows credit for duty previously paid to be granted when products are returned to duty-free storage, subject to a variety of conditions. About £25 million or 1/2 per cent of the total duty charged, is allowed as credit each year. A recent Internal Audit Report recommended simpler and clearer rules for granting duty credit, and standard flat rates to cut out administrative effort by companies and Customs in identifying and checking actual duty rates charged sometimes years before on each individual returned consignment. While eligibility conditions can be simplified by amending regulations under existing powers, flat rate credits (or the ultimate simplification of an overall abatement of duty charged) needs primary legislation to amend the regulation making powers themselves. Consultation with trade associations on the compliance impact of flat rate credits and other tidying up amendments to the regulation making powers proposed by the Internal Audit Report are in train. Length of legislation estimated without P.C advice.

A submission will be made during October.

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STARTER: REFERENCE SHEET

TITLE: EXCISE: ABOLITION OF MATCH AND MECHANICAL LIGHTER DUTIES

STARTER NUMBER: 9

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
-20	-20		-9	-9	5 lines
Ministers in lead		EST	PCTA or equivalent resolution required		Yes

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

Following the decision not to abolish these duties for Budget 1988, the EST asked that the possibility of abolition be reconsidered for Budget 1989 (PS/EST minute of 10 December 1987). Abolition of the duties while ending relevant compliance costs would be expected greatly to encourage sales of mechanical lighters, largely at the expense of UK match production. Length of legislation estimated without PC advice.

A submission will be made before the end of September

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: ECJ JUDGEMENT ON ZERO RATES

STARTER NUMBER: 30

CLASSIFICATION: B1

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
+70	+110	+165	+38	+170	2 to 3 pages

(Assuming effective date of 1.4.89 for all measures except 1.8.89 for option for taxation).

Ministers in
lead

EST

PCTA or equivalent
resolution required

Yes

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS: The European Court of Justice in its judgement published on 21 June found that certain areas of our zero rating were not lawful. The Economic Secretary announced on the same day that the Government would bring forward legislation to implement the judgement as part of the 1989 Budget. Certain decisions have already been taken by the Government; others await the consultation paper.

Legislation will be required for:

- (i) Amendment of Zero Rate Groups 8 and 8A and Exempt Group 1 (Construction and Land); transitional relief; the option for taxation.
- (ii) Amendment of Zero Rate Group 2 (Water and Sewerage).
- (iii) Amendment of Zero Rate Group 6 (News Services)
- (iv) Amendment of Zero Rate Group 7 (Fuel and Power)
- (v) Amendment of Zero Rate Group 17 (Protective Boots and Helmets)

Officials in Lead

- (i) J W TRACEY, Ext 5369
D. Hewett
- (ii) ~~D L CHILVER~~, Ext 5406
- (iii) D E BARRETT, Ext 5387
- (iv) " " "
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VAT STARTER: REFERENCE SHEET

TITLE: VAT: MINOR PROPERTY CHANGES

STARTER NUMBER: 31

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91		
+5	+20		Nil	Nil	1 page	
Ministers in lead		EST			PCTA or equivalent resolution required	Yes

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

This starter is associated with starter 30 - ECJ judgment on zero rates - insofar as amendments to Zero Rate Group 8 and Exempt Group 1 (Construction and Land) are concerned. It contains proposals for amending the VAT liability of six types of transactions in the property and construction areas which individually might not justify Finance Bill space but which collectively it would be sensible to put into effect at the same time as the substantial post ECJ revisions. The six items are as follows:-

- (i) Caravan pitch rentals
- (ii) Hire of boxes at places of sport and entertainment
- (iii) Sale of fishing and shooting rights
- (iv) Sale of newly constructed purpose built holiday accommodation
- (v) Supply of building materials without construction services
- (vi) Service charges for leasehold flats

The Chancellor agreed items (i) to (v) following Mr Jefferson Smith's submission of 12 April 1988; item (vi) was held over for a later decision.

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: CHARITIES

STARTER NUMBER: 32

CLASSIFICATION: B2

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
-5	-5		Neg	Neg	Probably Treasury Order
Ministers in lead	EST				PCTA or equivalent resolution required Not if legislation is by Treasury Order

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS:

Customs and Excise are, with the EST's approval, discussing with the Charities VAT and Tax Reform Group the possibility of specific legislation to implement Article (A)(1)(o) of the 6th VAT Directive, which deals with fund-raising events for charities and certain other organisations. In addition, the Economic Secretary has asked us to review the case for certain other VAT concessions proposed by the CVTRG in their 1988 Budget submission or by others in subsequent Ministerial correspondence.

The charities lobby are likely to press for a package of VAT concessions in the 1989 Budget. These will have to be considered in the light of the overall effect of the Budget on charities and in particular of the decisions which are taken on the implementation of the European Court judgment on zero rates (starter 30).

A submission will be made to Ministers in October.

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JUBILEE STARTER: REFERENCE SHEET

TITLE: VAT: ADJUSTMENT OF INPUT TAX ON CAPITAL GOODS

STARTER NUMBER: 33

CLASSIFICATION: B1

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
+ 15/20	+20/30		Nil	Nil	By Order if possible otherwise 10 lines
Ministers in lead	EST		PCTA or equivalent resolution required		Yes (unless by order)

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS:

Ministers have stated publicly their intention to introduce a measure from 1 April 1989 to implement a mandatory requirement of the EC VAT Sixth Directive on adjustment of input tax deduction in certain cases by partly exempt businesses. Adjustment will be necessary or allowable where the use to which capital goods in respect of which input tax has been recovered changes over the subsequent 5 years (possibly 10 in the case of immovable property). Consultation with interested bodies is due to end in August 1988.

The change is expected to be controversial: an additional burden will fall on some 15000, mainly large businesses (a compliance cost assessment was invited in consultation document).

The yield depends on the average percentage of input tax recovery, which is likely to vary widely among the 15000. Estimate of legislation length is made without PC advice.

Submission will probably be made in late October after a decision as to the preferred approach.

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: REVALORISATION OF REGISTRATION AND DEREGISTRATION THRESHOLDS

STARTER NUMBER: 34

CLASSIFICATION: B2

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Neg	Neg		Nil	Nil	S I (assuming no increase in real terms)
Ministers in lead	EST	PCTA or equivalent resolution required			
		No			

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

Schedule 1 to the VAT Act 1983 provides for increases in the VAT registration and deregistration thresholds by Treasury Order. We estimate that the registration threshold could be increased from £22,100 to about £23,200 in the 1989 Budget to maintain its real value at the 1973 level. The deregistration threshold will be increased by the same amount from £21,100 to about £22,200.

Of direct benefit to small businesses. Not likely to be controversial.

Although the European Community dispute our right to do this, claiming that indexation should only be from the 1978 level (adoption of the Sixth VAT Directive), and is considering whether to issue a Reasoned Opinion against the UK, the draft Directive for Small and Medium Sized Enterprises proposes an optional higher threshold of 35,000 ECU (about £24,500). The draft is in abeyance and the Presidency has given no information about when it is to be further discussed. It is unlikely that it will be adopted in time for implementation of a higher threshold in the Budget.

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: SIMPLIFICATION OF REGISTRATION REQUIREMENTS

STARTER NUMBER: 35

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Nil	-85 to -110		Neg	Neg	30 lines

Ministers in lead	EST	PCTA or equivalent resolution required	Yes

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS: Schedule 1 to the VAT Act 1983 requires persons to be registered after the end of any quarter, if the value of taxable supplies in that quarter has exceeded £7,500; or in the four quarters then ended has exceeded £22,100; or at any time if there are reasonable grounds for believing that the value of taxable supplies in the coming year will exceed £22,100.

It is proposed to dramatically simplify these rules by replacing them with a single rule which, subject to limited exceptions for protection of the revenue, will require persons to be registered at the end of any month if the value of taxable supplies in the past 12 months has exceeded £22,100.

In the past few years many trade bodies and the Enterprise and Deregulation Unit in particular have commented that the registration threshold is the single greatest disincentive to new business start-ups, business expansion and enterprise. However, the maximum level of the registration threshold is governed by EC law and can only be increased to maintain its value in real terms (see starter 34). While Customs and the EDU have examined a number of schemes to ease the entry of small businesses into the VAT system each of these schemes has fallen foul of EC law, or has been rejected for other reasons. The simplification we are now proposing goes a long way to meeting the concerns of the EDU and will offer a number of clear advantages, both to business and Customs as well as reducing burdens on both.

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STARTER: REFERENCE SHEET

TITLE: RIGHT TO REPAYMENT OF VAT/EXCISE DUTIES (AND CONSEQUENTIAL CHANGES)

STARTER NUMBER: 36

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91		
Nil	Nil		Nil	Nil	1/2 page	
Ministers in lead	EST	PCTA or equivalent resolution required				No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

In the case of Fine Arts Developments plc, the Court of Appeal commented adversely on the lack of statutory provision for the repayment of VAT overpaid in error. The Department accepts this criticism and proposes to make statutory provision for repayment of VAT and excise duties paid in error, except in cases where the overpayment was made through mistake of law and repayment would result in the unjust enrichment of the taxpayer. The proposed legislation will follow developing EC case law. It will help businesses, by clearly setting out their rights.

The provision on overpayment of tax may also require two consequential changes to Schedule 7 of the VAT Act 1983

- to allow Customs to regulate for the general correction of errors on VAT returns, both over and underpayments; and
- to provide statutory cover, if necessary, for the VAT treatment of credit notes.

The first change will ease burdens on business. The second and third will remove areas of doubt and should thus reduce the number of disputes and appeals. They are also relevant to the implementation of Keith III penalties, with their concept of 'true tax'. A submission has already gone to the EST.

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B C STARTER: REFERENCE SHEET

TITLE: VAT: BAD DEBT RELIEF

STARTER NUMBER: 37

CLASSIFICATION: B2

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
[-50]	[-150]		+20	+20	1 page
Ministers in lead	EST				PCTA or equivalent resolution required
					No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

Based on undertakings given by his predecessors, the Economic Secretary has agreed to a review of the existing VAT arrangements for relief from VAT on bad debts. The review will recommend:

- a. extending the existing relief provisions but only to the extent of covering certain minor anomalies; or
- b. a major change to a fully comprehensive form of relief in which proposals are made for the recovery of the VAT element on debt or dividend payments received by claimants subsequent to the grant of relief.

Extension of the existing bad debt relief arrangements would be welcomed by the trade.

The revenue costs are uncertain at this stage.

The submission should be made by early October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: REVIEW OF DEFAULT SURCHARGE

STARTER NUMBER: 38

CLASSIFICATION: B1

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91		
-18	-18		Nil	Nil	1 page	
Ministers in lead			EST		PCTA or equivalent resolution required	No

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS:

The news release published on Budget day this year detailed the changes stemming from the review of the Keith penalty system. At that time it had not been possible to complete a review of default surcharge assessed on the late rendering and payment of returns. This was to be reviewed before the 1989 Budget. The review is now underway, but comments have not been received and analysed from all interested parties. We do, however, anticipate changes being made to the system. These will be to make the system less severe for business and simpler for us to operate.

A submission will be made by mid October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: DUTY AND TAX RELIEF FOR DIPLOMATS AND VISITING FORCES

STARTER NUMBER: 39

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Nil	Nil		Nil	Nil	1/2 page

Ministers in
lead ESTPCTA or equivalent
resolution required

No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

The purpose of the measure is to replace a number of extra-statutory class concessions by statutory provisions and to introduce a power to impose conditions with sanctions for breaches. The existing concessions give a variety of reliefs from customs duties, excise duties, car tax and VAT to certain goods imported by or supplied to diplomats and visiting forces. Because the reliefs are currently given extra-statutorily, Customs have no power to impose sanctions on beneficiaries who divert tax-free goods to home use. The measure will neither increase nor decrease the extent of existing reliefs but a formal legislative basis for them plus enforceable sanctions will facilitate control. It may excite some interest but, against the background of tightening up conditions where a relief is granted, it should be welcomed.

The submission should be made in early October.

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BUDGET STARTER: REFERENCE SHEET

TITLE: VAT: RESEARCH AND DEVELOPMENT CARS

STARTER NUMBER: 40

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
- 5	- 5		Nil	Nil	Treasury Order

Ministers in
lead ESTPCTA or equivalent
resolution required No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

The VAT (Cars) Order 1980 disallows as input tax the tax charged on the supply or importation of a motor car unless the car is unused and supplied or imported for sale. However, the Order provides relief in respect of manufacturers' own cars appropriated for research and development purposes. The relief is not available in respect of other cars imported or appropriated for research and development purposes. The European Commission have advised the UK that the provision is discriminatory, since the Commission regards it as contrary to Article 95 of the Treaty. The EST thinks it might be best to 'lose' this change in the Budget.

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JET STARTER: REFERENCE SHEET

TITLE: VAT: PASSENGER TRANSPORT

STARTER NUMBER: 41

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91		
Depends on effective date	Depends on decisions		N/K	N/K	1/2 page	
Ministers in lead	EST				PCTA or equivalent resolution required	Yes

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS:

This starter is at the initiative of the Chancellor and the Economic Secretary (see APS/EST minute of 13 September).

They asked officials to explore the possibility of applying VAT at the standard rate to certain domestic passenger transport.

A submission will be made by the end of October.

The length of legislation is a guess at this stage.

Such a measure will inevitably be controversial.

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BUDGET STARTER: REFERENCE SHEET

TITLE: CAR TAX: REDUCTION OF RATE

STARTER NUMBER: 42

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Dependent on degree of reduction. If rate were halved (to .5%)					
-475 620	-730		Nil	Nil	3 lines
Ministers in lead		EST	PCTA or equivalent resolution required To be advised		

ORIGIN OF STARTER: MINISTERS

BACKGROUND AND COMMENTS:

The minutes of the Sixth Budget Overview meeting on 22 February 1988 recorded that a cut in the rate of car tax should be reconsidered in 1989.

The revenue figure for 1989/90 is based on any change being effective from 1 June 1989.

Submission will be made in late September.

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STARTER: REFERENCE SHEET

TITLE: PROSECUTION TIME LIMITS

STARTER NUMBER: 60

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91		
Nil	Nil		Nil	Nil	30 lines	
Ministers in lead	EST				PCTA or equivalent resolution required	No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

FB 1988 Clause 11 amends s147 CEMA to introduce a requirement that summary proceedings must be commenced within six months of sufficient evidence to warrant them coming to the knowledge of the prosecuting authorities. Although s147 allows summary proceedings to be taken up to 3 years after the commission of the offence, the intention was that in the case of minor offences liable only to summary trial, alleged offenders should not remain in fear of prosecution for an unreasonable time. After Committee stage it was suggested that the Clause, as drafted, might arguably extend to the more serious 'triable either way' offences if taken to summary trial and allow those charged with such offences to evade prosecution since, by their very nature, these may take longer to come to light. Counsel prepared a draft Report stage amendment to resolve this but the EST took the view that it would be better to wait for the 1989 Finance Bill. The starter therefore is to amend Clause 11 to place beyond doubt that the new time limit for proceedings of 6 months from the availability of sufficient evidence applies only to cases for which trial on indictment is not available, and to add a procedure for certifying when this point is reached. The submission should be made in October.

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STARTER: REFERENCE SHEET

TITLE: SEIZURE AT EXPORT OF PROBABLE CASH PROCEEDS OF DRUG TRAFFICKING

STARTER NUMBER: 61

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
Neutral					
(unquantifiable confiscations which may not be of cash benefit to C&E)		Nil	Nil	Nil	N/K (Less than a page?)
Ministers in lead		EST	PCTA or equivalent resolution required		No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

In a number of instances recently, large sums of cash (up to £ 1/2m) have been detected on persons leaving the country and patently false explanations for this have been given. The context has strongly suggested that the monies are the proceeds of, or funds for, organised drugs trafficking and are being exported in this way to evade the surveillance of conventional banking transfers now made possible by the investigative powers of the DTOA. However, in none of the cases dealt with has it been possible to link these discoveries to any specific drugs offence. The advice of Treasury Counsel is being sought, but it seems that there may be no offence under present legislation which would permit such smuggled exports of money to be made the subject of questioning and seizure. In the light of Counsel's advice we may seek Ministers' views on the desirability of using the Finance Bill to create such an offence, possibly by following the US example of requiring the declaration of large sums of cash on export. There is no firm date yet for making a submission.

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JULY STARTER: REFERENCE SHEET

TITLE: LONDON PORT BANKING: AMENDMENT OF CUSTOMS & EXCISE MANAGEMENT ACT
1979 SECTION 17

STARTER NUMBER: 62

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)	1989/90		1/4/90	1/4/91	
Nil	Nil		Nil	Nil	2 lines
Ministers in lead	EST	PCTA or equivalent resolution required			No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

Section 10 of the Exchequer and Audit Act 1866 allows Collections to fund repayments of revenue and Vote payments from revenue collected. Section 17(5) of 1979 CEMA denies this facility to London Port, which has to maintain a separate Drawing Account to make payments. This section dates from at least the early 18th century and the reasons for it are no longer known.

In addition the current arrangements make receipts by standing order, bank giro credit and electronic methods administratively cumbersome and discourage their use. This is undesirable because, apart from the savings they bring, they provide safeguards against the effect of industrial action both inside and outside the Department.

We are also making major changes to the Department's banking practices and to enable London Port to benefit fully from modern banking methods it is necessary to remove the impediment presented by Section 17(5).

The change affects only Departmental practice and is not controversial.

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DELT STARTER: REFERENCE SHEET

TITLE: UNAUTHORISED DISCLOSURE OF CONFIDENTIAL INFORMATION OBTAINED UNDER STATUTORY PROVISIONS

STARTER NUMBER: 63

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Nil	Nil		Nil	Nil	About 1/2 page, or might be dealt with as a schedule
Ministers in lead		EST			PCTA or equivalent resolution required No

ORIGIN OF STARTER: CUSTOMS

BACKGROUND AND COMMENTS:

In the light of the Government's declared intention to reform Section 2 of the Official Secrets Act 1911 in the next session, Treasury Ministers have accepted that, although unauthorised disclosure of information supplied to HM Customs & Excise and the Inland Revenue could to a large extent rest on discipline and civil law remedies, such information should be protected by law, and amendments to revenue legislation should be included in a Finance Bill to achieve this.

Both departments have a responsibility to safeguard any information, the unauthorised disclosure of which could injure personal privacy or adversely affect a company's prospects, and the case for a joint approach is being explored.

The timing of the submission will depend on how quickly the question of the joint approach can be resolved.

No compliance costs are involved.

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CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Income Tax Allowances; Basic Rate Limit and Rates

STARTER NUMBER: 100

CLASSIFICATION: A

Revenue fm*
cost(-)/yield(+) (Full year)
 1989/90 1990/91

Staff effects*
 1/4/90 1/4/91

Length of legislation*

Depends on decisions

Depends on decisions

2/3 page

Minister in lead

**PCTA or equivalent
 resolution required**

Chancellor

Yes

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS:

This topic includes: thresholds: - basic personal allowances
 - age allowance
 - basic rate limit
 rates: - basic rate and higher rate

Cost of approximately 6¹/₂ per cent prices indexation of the thresholds (£1,430 million for 1989-90, £1,670 million for 1990-91) is included in the forecast. Generally at least earnings indexation (nearly 9 per cent) is required to ensure that Revenue staff requirement does not rise next year compared with 1988-89. (For example, had there been no increase in thresholds and allowances in 1988-89, Revenue staff requirement would have risen by about 350 at 1 April 1990. Options for changes to income tax will depend, inter alia, on economic forecast. An initial submission to Ministers, seeking a preliminary steer on the leading options, will be made within the next few weeks. (To provide a base for indexation for 1990-91, the Finance Bill will need to insert in the legislation for Independent Taxation appropriate figures for the personal allowance and married couple's allowance reflecting 1989-90 allowance levels.)

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Amalgamation of Married Couple's Allowance and Additional Personal Allowance

STARTER NUMBER: 101

CLASSIFICATION: C

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Not known: would depend on scope of any changes

Several pages

Minister in lead

PCTA or equivalent
resolution required

FST

No

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

The possibility of amalgamating the additional personal allowance (APA) for single parents and the new married couple's allowance (MCA) under Independent Taxation was considered at a late stage in the run-up to the 1988 Budget (Mr Lewis's note of 23/2/88). There were a number of disadvantages and practical difficulties and it was therefore decided not to alter the plans which had already been made. But the Chancellor said he would like the possibility of amalgamating the APA and MCA to be a starter for 1989. We shall let Ministers have a note on this option within a few weeks.

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CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Benefits in Kind - Misc 1

STARTER NUMBER: 102

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
		of the order of -20 initially	Depends on decisions		2 pages approx
<hr/> Minister in lead					PCTA or equivalent resolution required
Chancellor					No

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

Possibility of an exemption for a benefit-in-kind under consideration.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Benefits in Kind - Misc 2

STARTER NUMBER: 103

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
		small cost	Neg		Approx 1 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Possibility of an exemption for a benefit in kind provided in certain particular circumstances under consideration.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Benefits in Kind: Car And Car Fuel Benefit

STARTER NUMBER: 104

CLASSIFICATION: A

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Depends on decisions			Neg but Budget recode likely	Neg	Up to 1 ¹ / ₂ pages
Minister in lead			PCTA or equivalent resolution required		
FST			Yes		

ORIGIN OF STARTER: Annual Budgetary Proposal

BACKGROUND AND COMMENTS:

The Chancellor will wish to announce the 1989/90 car and car fuel scale charges in his Budget. Until 1988 these scales were fixed a year in advance and changes made by Treasury Order during the year to take effect from the following 6 April. Where the changes take effect from 6 April immediately following the Budget primary legislation required. It is for decision whether the scales for 1990/91 should be announced at the same time. The car fuel scale has, since April 1987 been used to assess VAT on private mileage provided from business resources. A note examining (with Customs officials as necessary) a full range of options will be submitted in the Autumn. The related topic of capital allowances for expensive cars will also be examined.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Benefits in Kind: Company Cars - Salary Forgone

STARTER NUMBER: 105

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Nil - but could result in loss if not adopted			Nil		A few lines
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

There are a number of schemes, particularly at present in the public sector, where an employee gets the private use of a company car in return for a reduction in salary. Tax is charged on the amount by which the salary is reduced where the employee can get a higher salary if he gives up the car; and an employee earning £8,500 a year or more should pay tax by reference to the scale charge if it is higher than the contribution he makes. The number of cases in which there should be a charge by reference to the scale charges is increasing because the doubling of the car scales last year means that they more frequently exceed the salary forgone. But as the law stands it is not clear that tax can be charged on the difference between the scale charge and the salary forgone. As scale charges increase this could become an expensive loophole.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Benefits in Kind: Provided Accommodation

STARTER NUMBER: 106

CLASSIFICATION: B1

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Depends on decisions			Depends on decisions transitional costs likely		2-3 pages (more with transitional rules)
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Community Charge consequential

BACKGROUND AND COMMENTS:

The benefit of free or cheap living accommodation provided for an employee by his employer is in practice measured by reference to the property's rateable value. There is an additional charge where the cost of the accommodation (or in certain circumstances its market value) + improvements exceed £75,000. With the disappearance of domestic rates in Scotland from 1989 and in England and Wales from 1990 new rules for measuring the benefit of provided accommodation will be necessary.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Reform of Reliefs for Relocation Costs

STARTER NUMBER: 107

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Depends on starting date		Eventually of the order of +100 (some additional PE offset)	[Probably small but may depend on extent to which employers gross up]		Depends on decisions
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Ministerial Review

BACKGROUND AND COMMENTS:

Following an internal Treasury/Inland Revenue review, Ministers have decided to withdraw the ESC which exempts from tax additional housing costs of transferred employees which are paid by employers and to retain the ESC which exempts removal costs paid by employers. Details (eg starting date) are still to be decided. Proposal to announce at time of Budget. Legislation in respect of one (or both) concessions may be necessary to effect the change.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Schedule E: Receipts Basis of Assessment

STARTER NUMBER: 108

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
*	*		*	*	5-10 pages
			[small]		
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: FST requested (Dec 1987) proposal to be considered for 1989 Bill

BACKGROUND AND COMMENTS:

The proposal is to replace the present statutory basis of assessment under Schedule E under which earnings for a year are charged by one under which earnings received in the year are charged. The change, which mainly affects directors, was foreshadowed in submissions to Ministers dated 10 January 1986 and 18 December 1987.

[* For first three years, transitional cost and staff cost may exceed eventual annual yield and staff savings arising from this proposal. Extent of the excess depends critically on decisions on transitional provisions].

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Schedule E: Post Cessation Receipts

STARTER NUMBER: 109

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		Staff effects* (Full year)	Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91
+		Nil	(Probably insignificant)	1/2-1 page
Minister in lead			PCTA or equivalent resolution required	
FST			Yes	

ORIGIN OF STARTER: Tax case: Best v Bray

BACKGROUND AND COMMENTS:

Case going to House of Lords later this year - if lost, will throw doubt on our ability to charge to tax certain payments made in connection with an employment after it has ceased (or before it commenced). If starter on receipts basis proceeds, these payments will be dealt with as part of that change. If not, a new provision may be needed to close the gap in the charging provisions.

[+ No information on which to base estimate of yield - likely to be small in total but significant in each individual case].

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Schedule E: Lump Sum Payments

STARTER NUMBER: 110

CLASSIFICATION: C

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

(+ Difficult to quantify)

(Probably insignificant)

1-2 pages

Minister in lead

PCTA or equivalent resolution required

FST

Yes

ORIGIN OF STARTER: Meeting with Ministers on 21.12.87 about taxation of proposed severance payments to Ministers in House of Commons

BACKGROUND AND COMMENTS: Ministers have asked for a review of lump sums paid on termination of employment generally, and, in particular the case for limiting the £30,000 tax exempt threshold, introduced this year, to 'genuine' redundancy situations. Concern that many employees, particularly directors, might receive benefit of exempt threshold in relation to payments on voluntary termination of successive engagements, often with no significant gaps between jobs. Also doubts, particularly with close company directors, that all termination payments genuinely ex gratia.

[+ Yield depends on decisions as to which payments no longer qualify for relief - little information available about current cost of £30,000 threshold.]

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Taxation of Testimonial Payments to Sportsmen

STARTER NUMBER: 111

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Neg	Neg		Nil	Neg	1-2 pages

Minister in lead

**PCTA or equivalent
resolution required**

FST

No

ORIGIN OF STARTER: Uncertainty about taxability of payments to cricketers in benefit years - Ministers await advice on possible statutory solution.

BACKGROUND AND COMMENTS:

A tax case in the 1920's established that the proceeds of a cricketer's benefit match were exempt from income tax. Nowadays benefits are quite different in character, professionally organised, and yield large sums which are in practice tax free. Doubtful whether all these payments should be tax free, but position varies from case to case, and the law is uncertain. Question now being considered is the strength of the case for bringing benefit proceeds generally into tax, if it is practical to do so.

[Yield depends on decisions on transitional arrangements (if any) and on behavioural effects].

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Review of Employee Share Scheme Legislation

STARTER NUMBER: 112

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		Staff effects* (Full year)	Length of legislation*	
1989/90	1990/91		1/4/89	1/4/90
Variety of possible relaxations under consideration, but cost seems likely at present to be small.		Probably negligible	Up to 2 or 3 pages	
Minister in lead			PCTA or equivalent resolution required	
FST			Unlikely	

ORIGIN OF STARTER: Ministers' agreement to review progress of current employee share scheme legislation

BACKGROUND AND COMMENTS:

Review agreed against background of 1988 CGT and IT changes, October 1987 crash and 10th anniversary of first element of present approved employee share scheme legislation (FA 1978 Profit-Sharing schemes). Review will examine progress of employee share schemes to date, and identify possible improvements in legislation.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Employee Share Ownership Plans (ESOPs)

STARTER NUMBER: 113

CLASSIFICATION: B2

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/89	1/4/90	
Cost depends on selection from range of possible tax reliefs and on take-up. Currently unpredictable.			Nil	Possibly + 2 to 3 Inspectors	Possibly up to 3 pages
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: FST's undertaking during Committee Stage of FA 1988 to consider 'ESOP' reliefs in the autumn.

BACKGROUND AND COMMENTS:

Continuing pressure for the introduction of US ESOP-type tax reliefs culminated in Committee Stage debate of two substantial (and differing) New Clauses. Precise purpose of tax reliefs sought by ESOP proponents remain unclear, though claims centre on increasing employee involvement in companies in which they work. Discussions with outside interests have been initiated.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Taxation of Employee Priority in Company Flotations

STARTER NUMBER: 114

CLASSIFICATION: B1

Revenue fm* cost(-)/yield(+)		Staff effects* (Full year)	Length of legislation*	
1989/90	1990/91		1/4/89	1/4/90
Neg	Neg	Nil	Nil	Up to 1 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Treasury Ministers

BACKGROUND AND COMMENTS:

FA 1988 provided income tax exemption for employee priority in allocations of shares where the same price was paid as by the public and where such allocation did not exceed 10% of the total allocation at that price. This has been found inadequate in the context of an imminent privatisation (British Steel); and an extension of this exemption has been agreed. It will cover employee priority allocations in any element of a public offer (whether employees pay the same price as the public or benefit from a discount), on condition that such allocations do not exceed 40 per cent of the element concerned, and that they do not exceed 10 per cent of the total of the ordinary share content of the offer for sale. The benefit of the discount itself will remain taxable. Ministers have decided that this 1989 legislation should be announced as having immediate effect as soon as possible.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Employees' Material Interest

STARTER NUMBER: 115

CLASSIFICATION: B2

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Probably negligible			Nil	Nil	Up to 1 page

Minister in lead	PCTA or equivalent resolution required
PMG/FST	No

ORIGIN OF STARTER: FST's undertaking to consider, given during Committee Stage of FA 1988.

BACKGROUND AND COMMENTS:

A director's or employee's eligibility to participate in a registered PRP scheme or in an approved employee share scheme depends on the size of any 'material interest' he has in the company concerned. Ministers have undertaken to review the level of this test (with particular sympathy in the case of PRP [the John Lewis problem]).

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Amendments to PRP

STARTER NUMBER: 116

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Large variety of changes in conditions for and levels of PRP tax relief under consideration. Revenue cost as yet unpredictable.			(Some staff cost likely)		Up to 5 pages
Minister in lead			PCTA or equivalent resolution required		
PMG			Probably not		

ORIGIN OF STARTER: Provisional decisions on some PRP changes, decisions to study others taken by PMG at meeting on 18 July 1988.

BACKGROUND AND COMMENTS:

Early take-up of, and reactions to 1987 PRP legislation now capable of assessment, permitting identification of possible improvements/ relaxations. Large variety of possibilities under consideration. One significant (administrative) change likely to be announced and operated on ESC basis before end-October. Initial market research expected to produce evidence of possible PRP shortcomings in October 1988.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Mortgage Interest Relief Limit for 1989-90

STARTER NUMBER: 117

CLASSIFICATION: A

Revenue fm* cost(-)/yield(+)		Staff effects* (Full year)	Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91
<u>Limit unchanged at £30,000</u>			Few lines to fix limit whether changed or not	
Nil	Nil	Nil	Nil	
<u>Increase to £35,000</u>				
-320	-400	-5	-5	
<u>Increase to £40,000</u>				
-530	-690	-10	-10	
Minister in lead			PCTA or equivalent resolution required	
FST			Yes	

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS:

1. Cost figures based on existing tax rates and mortgage interest rates of 12.75 per cent. No account taken of behavioural changes. Costs highly sensitive to interest rate.
2. Limit needs to be fixed annually in Finance Bill. 1988/89 limit £30,000; last increased in 1983, change to residence basis in 1988.
3. See also Mr Johns' minutes of 9 and 25 August.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Trusts: General Review

STARTER NUMBER: 118

CLASSIFICATION: B2

Revenue £m*		(Full year)	Staff effects*		Length of legislation
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Not yet known - depends on proposals

Not yet known

Minister in lead

PCTA or equivalent
resolution required

FST

Probably

ORIGIN OF STARTER: 1988 Tax Reforms

BACKGROUND AND COMMENTS:

The present income tax rules for trusts need review, mainly because of the 1988 reforms of the treatment of covenants and maintenance and the introduction of independent taxation. For example, the present rules may be too harsh in some ways and too lax in others once husband and wife are taxed independently. And it may be possible to simplify and rationalise the rules more generally. Modification of the CGT trust regime also needs to be considered, following commitment given during Finance Bill debates.

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	H B Thompson (CGT)		3541 6334
OFFICIAL IN SUPPORT:	R D Golding	TELEPHONE	3541 7509
	C E Gordon (CGT)		3541 6739
FP CONTACT:	Miss M Hay	TELEPHONE	270 4918

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Mixed Residence and Non-resident Trusts

STARTER NUMBER: 119

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Not yet known - depends on decisions

Not yet known

Minister in lead

PCTA or equivalent
resolution required

FST

ORIGIN OF STARTER: Adverse Court Decision

BACKGROUND AND COMMENTS:

A recent Court of Appeal decision (Dawson v CIR) means that trustees of discretionary trusts are not liable to UK tax on foreign income if any one of them is non-resident. Revenue are applying for leave to appeal to House of Lords, but if the Court's decision stands there is substantial scope for tax avoidance. The decision would also lead to problems with the assessment and collection machinery. Remedial legislation is therefore likely to be needed. Modification of CGT regime for gains of non-resident trusts is also being considered, including possibility of emigration charge on trusts.

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OFFICIAL IN SUPPORT:	R D Golding	TELEPHONE	3541 7509
	C E Gordon (CGT)		3541 6739
FP CONTACT:	Miss M Hay	TELEPHONE	270 4918

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Charitable Covenants

STARTER NUMBER: 150

CLASSIFICATION: C

Revenue fm*		(Full year)	Staff effects*		Length of legislation
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Not yet known - depends on decisions

Not yet known

Minister in lead

PCTA or equivalent
resolution required

FST

N/K

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

During preparation of 1988 Budget proposals to remove tax relief from non-charitable covenants, Chancellor asked whether charitable covenants should be similarly treated. It was agreed that the present arrangements should be reviewed to see whether a different form of relief would be preferable.

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OFFICIAL IN SUPPORT: Mrs E Fletcher

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Charities - Covenanted Membership Subscriptions

STARTER NUMBER: 151

CLASSIFICATION: B2

Revenue fm*		(Full year)	Staff effects*		Length of legislation
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Cost not yet known

Not yet known

Perhaps 1 page

Minister in lead

PCTA or equivalent
resolution required

FST

Probably

ORIGIN OF STARTER: National Trust

BACKGROUND AND COMMENTS:

Where membership subscriptions to charities are paid by covenant, significant benefits given to members may disqualify the covenant payments from tax relief. National Trust seek amending legislation so that certain benefits can be ignored.

OFFICIAL IN LEAD: C Stewart

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Tax Relief For Equity Investment

STARTER NUMBER: 152

CLASSIFICATION: A

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Depends on decisions Could be significant			Likely to be small		Depends on decisions

Minister in lead

**PCTA or equivalent
resolution required**

FST

Possibly

ORIGIN OF STARTER: Treasury Ministers

BACKGROUND AND COMMENTS:

PEPs scheme being reviewed. FST minute to Chancellor 27 July 1988 recommended further work on options for front-end relief for equity investment by individuals. Revenue paper will be ready by October. Less radical options would involve changes to the existing PEPs scheme, without front-end relief.

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FIM CONTACT:	M Neilson	TELEPHONE	270 4502

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BUDGET STARTER: REFERENCE SHEET

Date of issue October 1988

TITLE: Pensions: Changes To Tax Rules

STARTER NUMBER: 153

CLASSIFICATION: A

Revenue fm*		Staff effects*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91

Depends on decisions: could be substantial

Minister in lead

PCTA or equivalent
resolution required

FST

Probably

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

At meeting 19 July 1988 Chancellor asked Revenue and Treasury to work up package of pensions tax changes, falling short of Green Paper territory, which could be implemented in 1989. Series of papers, under covering note by Mr Scholar, will be ready by October. Broad approach is that employers should be free to offer pensions more generous than the tax rules allow (but without additional tax relief); but that the tax limits themselves would be tightened up in a number of ways. Opportunity may be taken to sweep up any necessary technical pension changes.

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SECRET

BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Private Medical Insurance: Over 60s

STARTER NUMBER: 154

CLASSIFICATION: B1 (see comment)

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Nil	-30		+10	+25	1 - 2 pages
(Assuming April 1990 start date. Eventual cost could be significantly higher, depending on take-up.)			(assuming April 1990 start)		(plus Regulations)

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: PM's Review Of Health Services

BACKGROUND AND COMMENTS:

Following Ministerial Review chaired by Prime Minister, the White Paper (expected in November) is likely to announce tax relief for private medical insurance (a) for the over-60s and (b) provided by employers for all employees. (The latter is dealt with in Starter No 102).

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Friendly Societies Protection Scheme

STARTER NUMBER: 155

CLASSIFICATION: B1 (see comment)

Revenue fm*		Staff effects*	Length of legislation*		
cost(-)/yield(+)	(Full year)				
1989/90	1990/91	1/4/90	1/4/91		
Neg	Neg	Nil	Nil		1/4 page

Minister in lead

PCTA or equivalent resolution required

EST

No

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

A very minor, but necessary, measure to ensure that Friendly Societies' contributions to their new investor protection scheme are deductible as expenses of management. A similar provision was needed in 1976 when the equivalent life assurance scheme was set up. EST and Chancellor have agreed to public announcement (hence B1 classification) as soon as an outstanding VAT point is cleared up.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: 4 November 1988

TITLE: Unti Trusts: Basis of Charge

STARTER NUMBER: 156

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
N/K	N/K		N/K	N/K	N/K

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Unit Trusts Association

BACKGROUND AND COMMENTS:

Pressure for level treatment with European investment vehicles, in particular following UCITS directive.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Main CT Rate for Financial Year 1989

STARTER NUMBER: 200

CLASSIFICATION: A

Revenue fm*		Staff effects*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91
Yield/cost of 1 per cent change		Nil	Nil
10	470	700	2 lines
Minister in lead			PCTA or equivalent resolution required
FST			No

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS:

Prior to the 1984 Business tax reforms the rates of corporation tax had normally been set in arrear. Rate for Financial Year 1989 does not have to be set until Budget 1990. But representative bodies have welcomed advance notice since 1984.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Small Companies Rate of CT for Financial Year 1989

STARTER NUMBER: 201

CLASSIFICATION: A

Revenue £m*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
Yield/cost of 1 per cent change		Nil	Nil	4-9 lines (see below)
Neg	30	50		
Minister in lead			PCTA or equivalent resolution required	
FST			No	

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS:

Prior to the 1984 Business tax reforms the rates of corporation tax were normally set in arrear. Rate for Financial Year 1989 does not have to be set until Budget 1990. But representative bodies have welcomed advance notice since 1984. Income limits for small companies rate unchanged since FY 1982. Ministers may wish to review limits this year.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Purchase of Own Shares by Quoted Companies

STARTER NUMBER: 202

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Cost depends on decisions and on behavioural changes			Neg	Neg	Less than 1 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Lord Young and various companies

BACKGROUND AND COMMENTS:

At the start of 1988 Ministers considered the proposal to allow a company buying its shares from a market maker not to be liable to ACT on the purchase. They decided against legislation in 1988 but wanted to consider the proposal further.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Entrepreneurs Scheme

STARTER NUMBER: 203

CLASSIFICATION: B2

Revenue £m* cost(-)/yield(+)		Staff effects* (Full year)	Length of legislation*	
1989/90	1990/91		1/4/90	1/4/91
(Potential neg. yield)		(no cost for first 5 years - then probably small)	Depending on decisions, could be neg for first 5 years, but may be cost in longer-term	Depends on decisions - possibly a few pages.
Minister in lead			PCTA or equivalent resolution required	
FST			No	

ORIGIN OF STARTER: British Venture Capital Association

BACKGROUND AND COMMENTS:

Proposal is a BES style relief for new employees of the company but with CGT exemption only, not income tax relief. Purpose is to attract successful managers out of large companies into small companies. Chancellor told the BVCA he would look at the proposal before the Budget. Preliminary Inland Revenue submission on 5 July.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Business Expansion Scheme

STARTER NUMBER: 204

CLASSIFICATION: C

Revenue fm*		Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)	1990/91		1/4/90	1/4/91	
1989/90	1990/91				
N/K			N/K		N/K

Minister in lead

PCTA or equivalent
resolution required

FST

No

ORIGIN OF STARTER: Annual Review

BACKGROUND AND COMMENTS:

Review of recent developments in the use of BES, including the new relief for private renting. First submission planned for November.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Advance Corporation Tax (Change of Ownership, Surrender)

STARTER NUMBER: 205

CLASSIFICATION: B2

Revenue fm* cost(-)/yield(+)		Staff effects*		Length of legislation*
1989/90	1990/91	1/4/90	1/4/91	
Small		Neg	Neg	1 page
Minister in lead				PCTA or equivalent resolution required
FST				No

ORIGIN OF STARTER: Coats Viyella (partly)

BACKGROUND AND COMMENTS:

Coats Viyella are being deterred from carrying out commercially desirable restructuring because this would cause some ACT to cease to be available for set-off. The Financial Secretary said he would consider whether the legislation could be amended. There are also some weaknesses in the ACT provision which are being exploited for avoidance. These could be removed at the same time.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Close Company Legislation

STARTER NUMBLR: 206

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Cost depends on decisions - could exceed £100m in each year			Probably neg, depending on decision		Abolition of apportionment - up to 5 pages
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Need for provisions being reviewed following the Budget changes to rates of income tax and CGT. First submission on close company apportionment sent on 25 August 1988. Loans and benefits from close companies also to be reviewed.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Capital Allowances: Safety at Sports Grounds

STARTER NUMBER: 207

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Neg	Neg	Neg	Neg	Neg	1/2 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Home Office

BACKGROUND AND COMMENTS:

Capital allowance legislation amended 1988 to reflect change in law regulating safety at sports grounds. Consideration of extension of relief to "regulated stands" deferred until Home Office order made bringing them within safety certificate requirements. Order expected to be laid in November, to come into effect 1 January 1989. Submission to Treasury Ministers by end-October 1988.

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OFFICIAL IN SUPPORT: G A A Elmer TELEPHONE 3541 7507
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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Capital Allowances and VAT

STARTER NUMBER: 208

CLASSIFICATION: C

Revenue £m*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
Neg	Neg	Neg	Neg	Neg
				N/K

Minister in lead

PCTA or equivalent resolution required

FST

No

ORIGIN OF STARTER: EC Sixth Directive on VAT

BACKGROUND AND COMMENTS:

To comply with EC Sixth Directive on VAT, changes to VAT regulations proposed to provide for periodic adjustment of initial deductions for input tax on capital goods to reflect actual use for taxable transactions. Period for comment on Customs consultative document ended 31 August 1988. Decisions not yet taken on implementation (1 April 1990 now seems more likely start date); and on whether substantive legislation or exposure draft in 1989. Consequential amendments to capital allowance legislation cannot be formulated until VAT position finalised.

OFFICIAL IN LEAD: M A Keith

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Capital Allowances: Pre-consolidation amendments

STARTER NUMBER: 209

CLASSIFICATION: C

Revenue fm*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
Depends on decisions but should be very small		Neg	Neg	8-10 pages
Minister in lead				PCTA or equivalent resolution required
FST				No

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Consolidation of Capital Allowances legislation proposed for 1989 - drafting began April 1988. Starter covers mainly technical amendments to put right in advance of consolidation various defects and anomalies in existing law. Submission summarising proposals to Treasury Ministers by end-October 1988.

OFFICIAL IN LEAD: M A Keith TELEPHONE 3541 6287
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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Abolition of Hobby Farming Provisions

STARTER NUMBER: 210

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
-Neg (and see comments ii)	-5	-5	Neg	Neg	A few lines.

Minister in lead

**PCTA or equivalent
resolution required**

FST

No

ORIGIN OF STARTER: Overview meeting of 29 February 1988.

BACKGROUND AND COMMENTS:

- (i) Relief for farming losses is normally available against the farmer's other income. But the hobby farming provision (Section 397, ICTA 1988) provide broadly that if a farmer makes losses for more than 5 consecutive years, then relief for any subsequent farming losses will not be available against his other income.
- (ii) Behavioural changes are likely to cause a steadily growing additional cost, the size of which might reach a low multiple of these direct costs within a few years.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Abolition of Farmers' Averaging Provisions

STARTER NUMBER: 211

CLASSIFICATION: C

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
+Neg	+5	+5	+5	+5	A few lines.

Minister in lead

PCTA or equivalent
resolution required

FST

No

ORIGIN OF STARTER: Overview meeting of 29 February 1988.

BACKGROUND AND COMMENTS:

Special provisions (introduced in 1978) allow a farmer to average his profits for income tax purposes when the difference between the profits for two consecutive years of assessment is 30 per cent or more of the higher of those profits.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Reopening of Claims for Relief

STARTER NUMBER: 212

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Neg	Neg	Neg	Depends on details		1 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Keith Committee recommendation.

BACKGROUND AND COMMENTS:

Keith proposed that taxpayers who receive further assessments (on income which has earlier been underassessed) should be able to revise or revoke any claim or elections previously made in the light of the new situation created by the making of the further assessment.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Extension of Relief for Pre-trading Expenditure

STARTER NUMBER: 213

CLASSIFICATION: B2

Revenue £m*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
Awaiting information from Eurotunnel			A few lines	
Minister in lead			PCTA or equivalent resolution required	
FST			No	

ORIGIN OF STARTER: Representations by Eurotunnel.

BACKGROUND AND COMMENTS:

Existing law gives relief for expenditure incurred by a prospective trader within 3 years of the trade beginning. Proposal is that 3 year period should be extended to 5 years. Ministers have decided, in principal, to proceed with this starter (FST, 15.9.88)

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Sports Governing Bodies

STARTER NUMBER: 214

CLASSIFICATION: B2

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Depends on details			Depends on details		Not yet known but probably short.
Minister in lead			PCTA or equivalent resolution required		

FST

ORIGIN OF STARTER: FST

BACKGROUND AND COMMENTS:

In Report Stage debate (13 July), FST undertook to review tax treatment of sports governing bodies, which are seeking special exemption.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: 4 November 1988

TITLE: Life Assurance Review

STARTER NUMBER: 215

CLASSIFICATION: B1

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Depends on decisions			Depends on decisions		Depends on decisions
Minister in lead			PCTA or equivalent resolution required		

FST

ORIGIN OF STARTER: Consultation document published 17 June 1988

BACKGROUND AND COMMENTS:

Consultation document outlines options for reform of life assurance taxation. Responses expected end-October 1988. No commitment to legislation in 1989, but may be possible depending on options chosen. No estimate of yield, staff effects, length of legislation can be made until decisions taken on options and timing.

This starter also covers the abolition of Life Assurance Policy Duty.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: "250"

STARTER NUMBER: 250

CLASSIFICATION:

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				

Minister in lead

PCTA or equivalent
resolution required

ORIGIN OF STARTER:

BACKGROUND AND COMMENTS:

Being considered separately under limited circulation.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Annual Exempt Amount

STARTER NUMBER: 251

CLASSIFICATION: A

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Nil	-10	-25	No staff effect assuming revalorisation. Staff addition if not revalorised as follows.		Few lines (in event of non-revalorisation)
(assuming revalorisation)			Nil	+25	

Minister in lead	PCTA or equivalent resolution required
Chancellor	

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS:

In the absence of a specific measure, the annual exempt amounts (£5,000 for individuals and £2,500 for most trustees) will increase automatically under the statutory indexation formula. On present projections the full year cost of this will be fm25 which will be taken into account in the forecasts - ie the cost shown is that of not legislating to override statutory revalorisation. During the run-up to the Budget the Chancellor indicated that he wanted to consider freezing the exemption until 1990.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Gifts Relief

STARTER NUMBER: 252

CLASSIFICATION: C

Revenue fm*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
Additional yeild of ? £50m if abolished		Staff increase (mainly to deal with valuations) depends on behavioural responses.	Few lines - 2 pages (Depends on decisions and, in particular, whether relief retained for gifts of business assets.)	
Minister in lead			PCTA or equivalent resolution required	

FST

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

Gifts relief introduced in 1980 (and extended in 1981 and 1982) to remove double charge on lifetime gifts to CGT and CTT. Since abolition of CTT lifetime charge in 1986, Ministers considered removal of the relief in previous years but decided against. Chancellor wishes to reconsider for 1989.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Qualifying Corporate Bonds

STARTER NUMBER: 253

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Up to £m100 revenue at risk per annum if no action taken (see comments below)			Nil	Nil	Up to 1 page
Minister in lead			PCTA or equivalent resolution required		

FST

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Where shares are exchanged for a qualifying corporate bond (which is an exempt asset) the gain on the shares is deferred until the bond is disposed of. If the bond is gifted prior to disposal it is not at present clear whether there is a proper mechanism for bringing the gain back into charge. Subject to legal advice, legislation might be necessary to remove the risk of exploitation.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Non-resident Companies Trading in the UK

STARTER NUMBER: 254

CLASSIFICATION: C

Revenue fm*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)			
1989/90	1990/91	1/4/90	1/4/91	
Substantial revenue at risk if no action taken (see comments below).		Neg	Neg	Depends on decisions. Could be up to 2 pages.
Minister in lead			PCTA or equivalent resolution required	

FST

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Where a person who is neither resident nor ordinarily resident in the UK is carrying on a trade in the UK through a branch or agency, that person is chargeable to CGT (CT in the case of companies) in respect of gains on the disposal of UK assets which are, or have been, used for trade purposes or for the purposes of the branch or agency. The relevant provision has a number of weaknesses and these may now be exploited to avoid the new company emigration charge.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Technical Changes Associated with Rebasing

STARTER NUMBER: 255

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Neg	Neg		Neg	Neg	1/2 page

Minister in lead	PCTA or equivalent resolution required
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FST

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Recent enquiries have identified a few technical points on which it is necessary to make minor amendments to ensure that the benefits of rebasing flow through properly in certain very specialised situations.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Chattels Exemption

STARTER NUMBER: 256

CLASSIFICATION: C

Revenue fm*		Staff effects*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91
Probably a negligible additional yield (see comments below).		Modest staff savings (see comments below)	Few lines.

Minister in lead

PCTA or equivalent resolution required

FST

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Increasing the chattels exemption from £3,000 to £5,000 would produce an administrative saving. Although this has some of the characteristics of a lollipop, it would in practice probably produce a very small extra yield: this is because it would reduce the availability of indexed losses on chattels used in a trade, and the yield from this would, we think, outweigh the cost of increasing the limit for other chattels.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: CGT: Private Residence Relief

STARTER NUMBER: 257

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Nil	Neg	Neg	Neg	Neg	Up to 1 page

Minister in lead

**PCTA or equivalent
resolution required**

FST

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS:

Provisions to tidy up anomalies in relation to:

- (a) the identity of the dwelling house where there are separate buildings; and
- (b) the "permitted area".

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Lloyd's CG treatment

STARTER NUMBER: 258

CLASSIFICATION: B2

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects *		Length of legislation*
1989/90	1990/91		1/4/90	1/4/90	
Nil	+5	+50	Nil	-10	? 1 Page

Minister in lead

**PCTA or equivalent
resolution required**

FST

ORIGIN OF STARTER: Minister's decision (announced during 1988 FB debates) that Lloyd's use of current CG rules would be monitored, and case for legislation kept under review.

BACKGROUND AND COMMENTS: Politically sensitive. Decision to keep under review followed decision to take no action for 1988 Budget. Legislative options include taxing all Lloyd's syndicate gains as income (Schedule D Case I as for other financial traders) or limiting use of CG indexation relief (which could apply to non-Lloyd's investors as well).

Now apparent that return on existing indexed bonds is taxable as income under present law. This development may affect Lloyd's future use of indexed bonds. Submission on legislative options ~~in due course~~ (see Beighton to FST of 28 September).

Yield estimates are of tax foregone if present law left unchanged. Figures are speculative at this stage.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Inheritance Tax: Threshold and Rate

STARTER NUMBER: 259

CLASSIFICATION: A

Revenue fm*		Staff effects*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91
See comments		Indexation alone will add to staff needs (increase of 30 per cent in case-load)	1/2 page (if no automatic indexation)
Minister in lead		PCTA or equivalent resolution required	
FST		No	

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENT:

In the absence of a clause the threshold will be automatically indexed, with costs (already assumed in the forecast) of £25m in 1989-90, £55m in 1990-91 and £60m in a full year. Because house prices have continued to rise much faster than RPI, a further increase in the threshold would be required to avoid an increased workload in the Inland Revenue. Compliance costs affect limited numbers (around 26,000 taxpayers).

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Inheritance Tax: Liability of Trustees

STARTER NUMBER: 260

CLASSIFICATION: C

Revenue £m*		Staff effects*	Length of legislation*
cost(-)/yield(.)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91
Uncertain**		Nil	Nil
			About 1/4 page

** See note below

Minister in lead

PCTA or equivalent resolution required

FST

Probably Yes

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS: Proposal to clarify law to make it clear that trustees of defunct trusts are liable for tax liability in respect of trust transactions that crystallises after trust is wound up. Deferred 1987 and 1988; now thought more important. A fundamental point for trustees when trust is wound up: should they retain funds to meet contingent liability? Provision would resolve conflict between assumptions made by some outside commentators that trustees are liable and current Revenue view that liability is at best very doubtful; and also protect Revenue from possible tax loss - especially where the other liable persons (eg beneficiaries) are out of our jurisdiction.

** Alternative is to announce publicly that Revenue will not hold trustees of defunct trust liable, thus publicising loophole. Potential loss probably negligible in budgetary terms, but could be large - perhaps several millions - in a single case.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Stamp Duty on Houses and Land: Threshold

STARTER NUMBER: 300

CLASSIFICATION: A

	Revenue fm*		Staff effects*		Length of legislation*
	cost(-)/yield(+)				
	1989/90	1990/91	1/4/90	1/4/91	
(a) £30,000 (present threshold)	Nil	Nil	+10	+10	No change
(b) £40,000	-90	-95	Nil	Nil }	
(c) £50,000	-195	-205	-15	-15 }	1/3 page
(d) £70,000	-435	-465	-30	-30 }	

Minister in lead

PCTA or equivalent resolution required

FST

Yes

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS: £30,000 is the trigger point for the 1% duty on houses, land and other real property. It has remained unchanged since 1984, when the average house price was £28,000. Since then prices have increased by over 80%, and 70% of house purchases now attract duty, producing an annual yield of around £2 billion. Three alternatives to sticking with the present threshold are considered:

- increasing the threshold in line with general inflation since 1984 (£40,000);
- increasing the threshold to the current average house price for the country as a whole (£50,000);
- a threshold which would exempt virtually all first-time buyers, even in London and the South East (£70,000).

Alternatives to increasing the £30,000 threshold include turning that threshold into an exempt slice (at an annual cost of some £500 million); or introducing a higher rate on expensive properties (a 2% rate on houses over £200,000 would yield £500-£600 million a year).

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Stamp Duty: Rate on Shares

STARTER NUMBER: 301

CLASSIFICATION: A

	Revenue £m*		Staff effects*		Length of legislation*
	cost(-)/yield(+) 1989/90	1990/91	1/4/90	1/4/91	
a. <u>0.25%</u>			not exceeding	not exceeding	
	-310	-340	+10	+10	1/4 page
b. <u>abolish</u>					
	-800	-1000	-50	-60	1/2-1 page
Minister in lead			PCTA or equivalent resolution required		
FST			Yes		

ORIGIN OF STARTER: Annual Budget Starter

BACKGROUND AND COMMENTS: Following the FST's and Chancellor's comments on our Summer paper on the future of stamp duties, Ministers decided we should keep open the options of reducing the rate of duty below 0.5% or abolishing the tax altogether.

The estimated yield next year from the duty in shares is around £800 million; but any loss here would be offset to some extent by increases in other taxes (eg CGT) and - in the case of a reduction - additional SD/SDRT from an expected increase in volume of share transactions. On the other hand, securitisation of real property could add to the overall loss. Further work is being done to establish more precisely the likely size of the net offset. In any event full year cost is likely to be nearer the 1989/90 than the 1990/91 figure.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Stamp Duty: TAURUS

STARTER NUMBER: 302

CLASSIFICATION: B1

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Neg	Neg	perhaps not less than +10	as 1/4/90	Depends on precise form of changes needed	

Minister in lead

PCTA or equivalent
resolution required

FST

No

ORIGIN OF STARTER: Stock Exchange and DTI

BACKGROUND AND COMMENTS:

TAURUS is the Stock Exchange's system to transfer shares without paper. It will be introduced in September 1989, following legislation DTI hope to introduce in November.

The DTI Bill will pave the way for Finance Bill legislation to make the changes to the SD/SDRT rules consequential to a move to paperless transactions. The precise form of these changes is still being discussed with DTI and the Stock Exchange. But generally Treasury Ministers have made clear that their support for TAURUS is contingent on the Exchequer still getting the proper amount of SD/SDRT.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Oil Abandonment: PRT/CT Reliefs

STARTER NUMBER: 350

CLASSIFICATION: C

Revenue £m*		Staff effects*	Length of legislation*		
cost(-)/yield(+)	(Full year)				
1989/90	1990/91	1/4/90	1/4/91		
*	*				
Neg	Neg	Nil	Nil	Up to 10-15 pages, depending on which main proposals, and how many other more detailed changes, were implemented.	
* [Highly uncertain. Depending on which proposals were implemented, costs could build up to £100m+ in the peak years (mid-late 1990's) but with significant offsetting yields in later years in most cases.]					

Minister in lead

PCTA or equivalent resolution required

EST

No

ORIGIN OF STARTER: UKOOA

BACKGROUND AND COMMENTS:

Covers various proposals designed to ensure effective PRT and/or CT relief for cost of eventually abandoning fields. [Total cost of abandonment, excluding pipelines, for UKCS estimated to be about £5bn (1988 prices), over the next 15-20 years]. Specific proposals include PRT/CT (and Royalty) relief for alienated funds set aside in advance for abandonment (provides for security against default by one or more participators in a field); additional CT reliefs (immediate 100% relief for abandonment expenditure and unlimited carryback of any resulting losses); a mechanism to ensure a minimum level of effective PRT relief for such expenditure; action on numerous other, mostly fairly minor, technical difficulties and anomalies with the existing PRT and CT rule as they apply to relief for abandonment, but also possible including some tightening up. Some of these changes - eg on CT - would almost certainly have to be extended to other industries as well.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: PRT: Tariffing Issues

STARTER NUMBER: 351

CLASSIFICATION: C

Revenue fm*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
* 1989/90	* 1990/91			
+5 to 15	+15 to 25	? +20	Nil	Nil
				1/2- 3 pages

* Depending on what changes are implemented.

Minister in lead

PCTA or equivalent resolution required

EST

No

ORIGIN OF STARTER: Inland Revenue

BACKGROUND AND COMMENTS: OTA 83 brought tariff receipts from the use of shared assets (eg pipelines) into PRT, but with a "tariff receipts allowance" (TRA) and full front end relief to participators in the host field for the cost of those assets. It is possible that companies may in certain cases be exploiting the rules in a way that was not intended, and with the agreement of Ministers we are reviewing with D/Energy whether there is a problem and what if any changes appear necessary or desirable. Also, we have recently lost a High Court case concerning interpretation of the rules governing availability of TRA in certain cases. The effect - if left unchallenged - would be to give more than one TRA per user field (which was not intended) and legislation may be necessary to reaffirm our interpretation of the law. There is also an Extra-Statutory Concession in this area (relating to TRA and foreign user fields). In addition to the general Ministerial commitment to put ESCs onto a full statutory basis as soon as practicable, there is also a more specific commitment on this particular ESC to do so. If there was action on one or other of the points it would make sense to deal with this point at the same time especially as only about 1/2 page of legislation would be required for it.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Piper Disaster: PRT and CT Treatment of Insurance Receipts

STARTER NUMBER: 352

CLASSIFICATION: C

Revenue fm*		Staff effect*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91

* +90	* +50	uncertain	Nil	Nil	? 2 pages
-------	-------	-----------	-----	-----	-----------

(NB -250 in 1988/89)

* With a further yield of about £150m in later years. Broadly, the effect of the change would be to defer the PRT charge on receipts to the time when the replacement expenditure was incurred, with no or little net Exchequer cost over the period as a whole. Estimates assume change would be applied retrospectively - so as to help Piper A - in which case cash flow cost in 1988/89 would be about £250m. (Also needs early announcement of intentions.)

Minister in lead

PCTA or equivalent resolution required

EST

No

ORIGIN OF STARTER: Industry representations

BACKGROUND AND COMMENTS: 1. Receipts from the disposal of relevant assets like a platform or pipeline are chargeable to PRT. Insurance receipts or other compensation for the loss or destruction of these assets are similarly chargeable at the time the payment is received or receivable. (Relief would then be available subsequently for any replacement expenditure in the normal way.) Assets used by gas fields which are exempt from PRT on their gas production by virtue of pre-July 1975 contracts are also chargeable under these rules. Following the Piper Alpha disaster, however, the companies concerned - with industry support - want changes (which would need to be retrospective) to alleviate what they see as the cash flow disadvantage of the present rules. The suggestion is that instead of charging the insurance receipts to PRT when they are received, the subsequent replacement expenditure qualifying for PRT relief should be restricted by the payments - thereby, in effect, deferring the charge on the receipts. This would also meet a long-standing industry representation in respect of the charge on exempt gas field assets.

2. These insurance receipts could also give rise to a balancing charge to CT under the capital allowances code. The industry therefore also want a further change, making it possible for such changes to be rolled over against future capital expenditure on replacement assets.

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* **HEALTH WARNING** The data reports the position at the time of issue of each Reference Sheet and will be updated only if the scope of the Starter changes significantly. Latest information for all items can be found on the Summary Sheets.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: PRT: Relief For Incremental Oil Field Investment

STARTER NUMBER: 353

CLASSIFICATION: C

Revenue fm*		Staff effect*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
N/K	N/K	N/K	N/K	N/K

Depends on what if any changes are introduced.

Minister in lead

PCTA or equivalent
resolution required

EST

No

ORIGIN OF STARTER: Industry representations

BACKGROUND AND COMMENTS:

The North Sea Fiscal Regime Working Party for 1988 will be reviewing once again the question of whether any action needs to be taken to assist incremental oil field investment. The case rests on the extent to which actual incremental profits are being inhibited by the current fiscal regime. If a case for action is agreed it will be necessary to consider how assistance might best be achieved. A possible solution might be some form of additional relief for certain oil field expenditure incurred post-payback; or granting separate field status to certain accumulations of oil within an existing field.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: PRT Oil Allowance: "Peak Shaver" Fields

STARTER NUMBER: 354

CLASSIFICATION: C

Revenue fm*		Staff effect*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1989/90	1990/91			
Nil	Nil	Nil	Nil	N/K

* Depending on particular solution, could be a cost of up to £20m a year from 1992, possibly increasing towards the end of the decade.

Minister in lead

PCTA or equivalent
resolution required

EST

No

ORIGIN OF STARTER: Industry representations

BACKGROUND AND COMMENTS:

S138 FA 1988 reduced the oil allowance for certain gas fields in the Southern Basin of the North Sea. At the same time Royalty payments were abolished.

Peak shaver fields meet the highly skewed winter season gas demands of British Gas plc. Special contractual arrangements apply to this situation. These arrangements include capacity payments; paid whether or not gas is delivered. Potentially, the FA 1988 changes will exaggerate the PRT effects in future, for one particular field, Sean. This occurs because of the impact of the lower oil allowance on the tax treatment of capacity payments.

Ministers have agreed to the further examination of the possibilities for amending the current arrangements on capacity payments (S114 FA 1984).

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Tax Deductible From Tax Credit Payments to US Companies

STARTER NUMBER: 400

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Without legislation there could be a Revenue cost of £15m a year (plus £68m in respect of past years)			Nil	Nil	Less than 1/2 page
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Decision in Union Texas case in High Court

BACKGROUND AND COMMENTS:

The UK/US double taxation convention provides for half tax credits to be paid to certain US companies and for full tax credits to be paid to others and to resident individuals less 5% or 15% of the aggregate of the dividend and the half tax credit or tax credit. The judge in the Union Texas case said that the Inland Revenue operated the provision to pay a smaller tax credit than claimants were entitled to, and Ministers have agreed to put the computation of payment beyond doubt.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Sovereign Immunity

STARTER NUMBER: 401

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
+100 if most radical option were adopted			Neg	Neg	3 pages (but highly uncertain)
Minister in lead			PCTA or equivalent resolution required		
FST			No		

ORIGIN OF STARTER: Chancellor

BACKGROUND AND COMMENTS:

Recent publicity has been given to the immunity from UK taxation which is given to foreign Heads of State and foreign and Commonwealth Governments. Several different approaches are under consideration (with Treasury and Bank) with possibility of bringing UK practice more into line with that adopted in other major countries.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Residence and Basis of UK Tax Liability for Individuals

STARTER NUMBFR: 402

CLASSIFICATION: B2

Revenue fm*		Staff effect*	Length of legislation*
cost(-)/yield(+)	(Full year)		
1989/90	1990/91	1/4/90	1/4/91
Possible yield of fm50 but depends on precise action taken		Unlikely to be significant; possible saving of [10] units	10 pages (but considerable uncertainty)
Minister in lead		PCTA or equivalent resolution required	
FST		No	

ORIGIN OF STARTER: Consultative document issued in July 1988

BACKGROUND AND COMMENTS:

Unsatisfactory nature of present residence rules and use of domicile as a determinant of tax liability. Consultative document proposes a possible approach to provide greater simplicity, certainty and neutrality; and to relate UK liabilities more closely to the degree of connection with this country. Ministerial commitment to consider representations before legislative changes are introduced.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Tax Rules For European Economic Interest Groupings (EEIG's)

STARTER NUMBER: 403

CLASSIFICATION: B1

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Neg	Neg		Neg	Neg	3 pages

Minister in lead

PCTA or equivalent resolution required

FST

No

ORIGIN OF STARTER: Regulation No 2137/85 European Economic Interest Grouping

BACKGROUND AND COMMENTS:

An EEIG is a new business structure for cross-frontier co-operation between enterprises of member states, for example carrying out co-ordinated research. It cannot be formed in order to make profits for itself, but rules are needed to provide for such matters as the tax treatment of business losses incurred and also of capital gains and losses.

The EEIG Regulation was adopted by the European Council in 1985 and has effect from 1 July 1989. Notwithstanding its direct applicability, technical legislation is needed on matters of detail so as to make it effective.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Keith Committee: Administrative Improvements

STARTER NUMBER: 450

CLASSIFICATION: B2

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
N/K	N/K		N/K	N/K	approx 25 pages

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Inland Revenue/FST

BACKGROUND AND COMMENTS:

Package of measures to implement the rest of Keith recommendations on income tax, corporation tax and capital gains tax except those concerning "Olin" and conduct of appeals and to modernise interest rules. The measures affect principally: penalties, information powers and late payment interest.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Sub-contractor Tax Scheme

STARTER NUMBER: 451

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)	1989/90		1/4/90	1/4/91	
	1990/91				

Depends on decisions Depends on decisions 12 pages

Minister in lead

PCTA or equivalent
resolution required

FST

No
(But depends on
detailed decisions)

ORIGIN OF STARTER: Efficiency Scrutiny

BACKGROUND AND COMMENTS:

Scrutiny action plan (giving Revenue responses to recommendations) due around end-October. In advance of that, Ministers inclined to prefer single 1989 package of primary legislation, with entry into force of some items perhaps delayed. Tougher rules about eligibility for new and renewed certificates will be controversial. So consultation, especially on these aspects, important. Dropping deduction rate would cost £m100 in year of introduction with 20% deduction rate, more if rate lower. Simultaneous introduction of tough certificate rules would reduce cost. Short-term staff savings flowing from secondary legislation and administrative changes may be affected by timetabling of longer-term proposals.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Unauthorised Disclosure of Information Provided to Inland Revenue and Customs and Excise Departments

STARTER NUMBER: 452

CLASSIFICATION: B2

Revenue £m*		Staff effects*	Length of legislation*	
cost(-)/yield(+)	(Full year)			
1989/90	1990/91	1/4/90	1/4/91	
Nil	Nil	Nil	Nil	5 pages

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Reform of Section 2 Official Secrets Act 1911

BACKGROUND AND COMMENTS:

1. To provide criminal sanction against unauthorised disclosure if, as proposed in White Paper on Official Secrets Act reform, protection of Official Secrets Acts is withdrawn from private and commercial information provided in confidence.
2. Joint measure with Customs and Excise.
3. Length of legislation may be shorter than estimate.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1988

TITLE: Deep Discounted Government and Foreign Para-statal Bonds

STARTER NUMBER: 453

CLASSIFICATION: C

Revenue fm*		(Full year)	Staff effects*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
Nil	Neg		Neg	Neg	1 page

Minister in lead

PCTA or equivalent
resolution required

FST

ORIGIN OF STARTER: Treasury

BACKGROUND AND COMMENTS:

1. The proposed revocation of the Control of Borrowing Order will allow foreign government and foreign para-statals to issue deep discounted bonds on the London market at a revenue cost. To protect the UK Revenue the proposal is to treat the yield on sale or redemption of these bonds in the same way as corporate deep discounted bonds.
2. Similar treatment is also appropriate for UK low coupon gilts.
3. The yield will build up over time but the eventual yield will depend on the rate of issue of low coupon bonds.
4. This starter will prevent the potentially large losses of tax which could result from the abolition of COBO.

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BUDGET STARTER: REFERENCE SHEET

Date of issue: 4 November 1988

TITLE: Electronic Payment of Dividends

STARTER NUMBER: 454

CLASSIFICATION: C

Revenue fm* cost(-)/yield(+)		(Full year)	Staff effects*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
N/K	N/K		N/K	N/K	Less than 1 page

Minister in lead	PCTA or equivalent resolution required
FST	No

ORIGIN OF STARTER: Representations by APACS

BACKGROUND AND COMMENTS:

The banks have intermittently been seeking to replace the legislative requirement for paperwork to accompany dividends mandated to shareholders' bank accounts by procedures allowing electronic transfer. Timing and nature of legislation depends on making better progress in resolving significant problems than in the past. FST wrote to APACS on 31 October to restart technical discussions.

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DRMf

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: NORTHERN IRELAND/GREAT BRITAIN VED EXEMPTION

STARTER NUMBER: 600

CLASSIFICATION: C

Revenue £m*		Staff effect*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1988/90	1990/91			
NIL	NIL	NIL	NIL	CLAUSE : 12 lines
				SCHEDULE -
Minister in lead			PCTA or equivalent resolution required	
EST			NO	

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

Proposal is to make regulations so that the extra statutory exemption which exists to allow registered and licensed vehicles in Northern Ireland and Great Britain to visit each others countries and not be liable to VED, can be put on a statutory footing.

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: TRADE LICENSING - RATE INCREASE

STARTER NUMBER: 601

CLASSIFICATION: B1

Revenue £m*		Staff effect*	Length of legislation*
cost(-)/yield(+)			
1989/90	1990/91	(Full year)	
		1/4/90	1/4/91
+NEG	+NEG	NEG	NIL
			CLAUSE : A FEW LINES
			SCHEDULE : 1 or 2 LINES
Minister in lead		PCTA or equivalent resolution required	
EST		YES	

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

Phase III (final) increase in VED rate for trade licences. Commitment to three phase increase given in 1985 and 1986 budget (overlooked in 1987). Rates currently £85 for 12 month Trade licences and £17 for 12 month Trade licence for Bicycles and Tricycles - rising to £100 and £20 respectively.

[Length of legislation has not been confirmed - draft instructions are with Parliamentary Counsel]

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: SPECIAL TYPES : VED RATE INCREASE

STARTER NUMBER: 602

CLASSIFICATION: B1

Revenue £m*		Staff effect*	Length of legislation*		
cost(-)/yield(+)	(Full year)				
1988/90	1990/91	1/4/90	1/4/91		
+NEG	+NEG	NIL	NIL	CLAUSE : 2 - 3 LINES	
				SCHEDULE : ONE TABLE	
Minister in lead			PCTA or equivalent resolution required		
EST			YES		

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

Increase in rate of VED for Special Types (vehicles used for the movement of abnormal and indivisible loads). 1988 saw first increase from £130 to £1600, this budget increase to £3100 (equivalent to VED rate for heaviest goods vehicle). Do not cover track cost - PAC and NAO recommended Government should take action. Final rate not yet determined - STATS conducting a survey. This increase was announced in the DTp Budget Press Notice.

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: RIGID GOODS VEHICLES : VED RATE INCREASE

STARTER NUMBER: 603

CLASSIFICATION: B1

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
Estimate + £138m					CLAUSE : 2 - 3 LINES
(£18m if no likely increase in fuel duty)			NIL	NIL	SCHEDULE : THREE TABLES
Minister in lead			PCTA or equivalent resolution required		
EST			YES		

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

Increase VED for most rigid goods vehicles to correct the increasing imbalance in the level of excess of motoring tax over allocated track costs between rigid and articulated goods vehicles.

Length of legislation :- estimate;
draft instructions already with P. Counsel

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: HACKNEYS : VED RATE INCREASE : SIMPLIFICATION OF TAX STRUCTURE

STARTER NUMBER: 604

CLASSIFICATION: A

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/ 90	1/4/ 91	
Estimate £20m			NIL	NIL	CLAUSE : 2 - 3 lines
					SCHEDULE : 1 Table
Minister in lead			PCTA or equivalent resolution required		
EST			YES		

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

Simplification of the tax structure for Hackneys - reducing tax bands from 60 to 5. Increasing the rates to ensure track cost coverage and a more equitable distribution of the tax rates for vehicles within the class. [Interim measure intended to solve track cost shortfall for buses and coaches while proposals are worked up for a move ultimately to GVW and axle based taxation structures]. Pressure from Treasury and MPs lobbying for fairer competition between express coaches and intercity services.

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: RECOVERY VEHICLES

STARTER NUMBER: 605

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1988/90	1990/91				
NIL	NIL		NIL	NIL	4 - 6 lines

Minister in lead	PCTA or equivalent resolution required
EST	YES

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

This arises from a case the Crown Prosecution Service has drawn to our attention which exposes a drafting defect in the provisions introduced in the 1987 Finance Act to create a new taxation class for recovery vehicles. The defective provision allows, rather than precludes, the carriage of goods by recovery vehicles.

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BUDGET STARTER: REFERENCE SHEET

TITLE: DISHONOURED CHEQUES: PROVISION TO CLAIM DUTY FOR THE PERIOD A VOID
VEHICLE EXCISE LICENCE WAS HELD BY AN OFFENDER

STARTER NUMBER: 606

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1988/90	1990/91				
+ Neg	+ Neg		N/K	N/K	2 pages
Minister in lead			PCTA or equivalent resolution required		
EST			NO		

ORIGIN OF STARTER:

DTP

BACKGROUND AND COMMENTS:

1. This budget starter seeks a minor change to strengthen existing legislation. Its implementation could be controversial. The change has been agreed with other Government Departments.
2. In 1987/88 the Department dealt with 87,000 dishonoured cheques (presented in exchange for vehicle excise licences) valued at £7.4m. The face value of the licences ranged from £55 to £3100.

See second page.

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: DISHONOURED CHEQUES - continued

STARTER NUMBER: 606 (Cont'd)

CLASSIFICATION:

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
1988/90	1990/91		1/4/ 90	1/4/ 91	
cost(-)/yield(+)					
Minister in lead			PCTA or equivalent resolution required		

ORIGIN OF STARTER:

BACKGROUND AND COMMENTS:
continued:

3. When a cheque is dishonoured the licence is deemed to be void from the moment of issue but in practice a motorist has the apparently valid disc to display and thus is able to avoid detection for unlicensed use. The Customs and Excise Management Act 1979, Section 102, provides authority for the Department to request the return of the void licence within a period of 7 days. Should the motorist not do so, he may be prosecuted. The system is time-consuming and will often end with the return of the licence after several months, during which time it has been displayed on the vehicle.

4. This proposal seeks to provide authority for the recovery of duty for the period over which the licence was held, without the Department having to prove use of the vehicle.

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BUDGET STARTER: REFERENCE SHEET

TITLE: MINIMUM THRESHOLD FOR VED REFUNDS

STARTER NUMBER: 607

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1988/90	1990/91				
+NEG	+NEG	+NEG	NIL	-20?	25 lines (Already Drafted)
Minister in lead			PCTA or equivalent resolution required		
EST			YES (Ways + Means)		

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

Following internal review of DTp functions aimed to find running cost savings, Department may wish to reduce significantly volumes of VED refund transactions. Preventing refunds of amounts less than 4 months' duty, or £50, would do this without unduly prejudicing any individual group of vehicle users. Could still be mildly contentious. See also starter[L] as more severe alternative.

OFFICIAL IN LEAD: H C S DERWENT

TELEPHONE 2413 - 2430

OFFICIAL IN SUPPORT: A B MURRAY

TELEPHONE 2413 - 2000

FP CONTACT: G MICHIE

TELEPHONE 270 - 4922

***HEALTH WARNING** The data reports the position at the time of issue of each Reference Sheet and will be updated only if the scope of the Starter changes significantly. Latest information for all items can be found on the Summary Sheets.

BUDGET STARTER: REFERENCE SHEET

TITLE: ABOLITION OF VED REFUNDS AND SIX MONTH LICENCES

STARTER NUMBER: 608

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)	1990/91		1/4/ 90	1/4/ 91	
1988/90	1990/91				
-10	-40	-40	Nil	-100?	N/K

Minister in lead	PCTA or equivalent resolution required
EST	[Probably Ways + Means]

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

Following internal review of DTp functions aimed to find running cost savings, Department may wish to reduce very substantially volumes of licensing transactions. Abolishing refunds alone would result in switch to 6 month licences, and vice versa, so both need to be scrapped to achieve desired savings. Above costings still speculative. Contentious. See also starter [K] as less severe alternative.

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BUDGET STARTER: REFERENCE SHEET

TITLE: MANDATORY 2 OR 3 YEAR FIRST LICENSING FOR VEHICLES

STARTER NUMBER: 609

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/ 90	1/4/ 91	
+ N/K (significant one-off gain from advance of future revenue)	+ N/K	Nil	Nil	- Neg?	N/K
Minister in lead			PCTA or equivalent resolution required		
EST			(probably Ways and Means)		

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

Following internal review of DTp functions aimed to find running cost savings, Department may wish to reduce substantially volumes of licensing transactions. Proposal would eliminate intermediate licence applications for vehicles up to 2 or 3 years old, reducing cost of licensing contract with Post Office; relatively few direct staff savings. *Contentious.*

OFFICIAL IN LEAD: H C S DERWENT

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OFFICIAL IN SUPPORT: A B MURRAY

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FP CONTACT: G MICHIE

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: MINE RESCUE VEHICLES: DEFINITION

STARTER NUMBER: 610

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1989/90	1990/91		1/4/90	1/4/91	
NIL	NIL		NIL	NIL	CLAUSE : 6-8 lines SCHEDULE -
Minister in lead			PCTA or equivalent resolution required		
EST			NO		

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

For nearly 40 years DTp. has exempted from VED extra-statutorily certain vehicles which are used for rescue operations at collieries (only). We now wish to set the exemption on a statutory footing by introducing a definition in the Vehicle (Excise) Act 1971.

OFFICIAL IN LEAD: H C S DERWENT

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OFFICIAL IN SUPPORT: R OLIVER

TELEPHONE 1213 - 2053

FP CONTACT: G MICHIE

TELEPHONE 270 - 4922

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ORMf

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: FAILURE TO NOTIFY VEHICLE KEEPER CHANGES

STARTER NUMBER: 630

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1988/90	1990/91		1/4/90	1/4/91	
NIL	NIL		NIL	NEG?	N/K

Minister in lead	PCTA or equivalent resolution required
EST	NO

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

The integrity of the central computer vehicle record relies on keepers notifying all changes. Failure to do so is already an offence. Keepers need to be made aware that it is a continuing offence. To this end we propose to introduce a cumulative penalty which may be imposed where contravention continues after conviction. Provision for a defence against conviction is also to be established.

OFFICIAL IN LEAD: H C S DERWENT **TELEPHONE** 2413 - 2430
OFFICIAL IN SUPPORT: A B MURRAY **TELEPHONE** 2413 - 2000
FP CONTACT: G MICHIE **TELEPHONE** 270 - 4922

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DRMF

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: REGISTRATION BOOK/DOCUMENT

STARTER NUMBER: 631

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1989/90	1990/91				
NIL	NIL		NIL	NIL	N/K

Minister in lead	PCTA or equivalent resolution required
EST	NO

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

To amend all references to 'REGISTRATION BOOK' to read 'REGISTRATION DOCUMENT' in the Vehicle (Excise) Act 1971 and The Road Vehicles (Registration and Licensing) Regulations 1971. The aim is simply to ensure that the legislation accurately reflects the terminology actually used by the Department. No change required to the related NI legislation.

OFFICIAL IN LEAD: H C S DERWENT

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OFFICIAL IN SUPPORT: A B MURRAY

TELEPHONE 2413 - 2000

FP CONTACT: G MICHIE

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Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: GRASS CUTTING VEHICLES : DEFINITION

STARTER NUMBER: 632

CLASSIFICATION: C

Revenue £m* cost(-)/yield(+)		(Full year)	Staff effect*		Length of legislation*
1988/90	1990/91		1/4/ 90	1/4/ 91	
-NEG	-NEG		NIL	NIL	CLAUSE : 4 lines
					SCHEDULE -
Minister in lead			PCTA or equivalent resolution required		
EST			YES		

ORIGIN OF STARTER: DTp.

BACKGROUND AND COMMENTS:

Proposal is to ^{re-}define the existing "Mowing Machine" class in the Vehicles (Excise) Act 1971, thereby accommodating Local Authority Tractors fitted with Grass/Hedge cutting attachments.

OFFICIAL IN LEAD: H C S DERWENT

TELEPHONE 1213 - 2430

OFFICIAL IN SUPPORT: R OLIVER

TELEPHONE 1213 - 2053

FP CONTACT: G MICHIE

TELEPHONE 270 - 4922

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FORM

Date of issue:

24.10.88

BUDGET STARTER: REFERENCE SHEET

TITLE: SALE OF VEHICLE REGISTRATION MARKS

STARTER NUMBER: 633

CLASSIFICATION: B1

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
1988/90	1990/91		1/4/90	1/4/91	
+ NEG	up to + 10		+ NEG	up to + 20	few lines sub section + up to 1½ pages of schedule (mostly drafted)
				(maximum - dependent upon ultimate sales methodology)	
Minister in lead			PCTA or equivalent resolution required		
EST			NO		

ORIGIN OF STARTER: DTp

BACKGROUND AND COMMENTS:

DTp wishes to widen choice of attractive registration numbers available to motorists by the controlled sale of numbers not in use. New powers and clarification of existing powers required. Unlikely to be contentions. Public consultation exercise, Spring 1988 showed wide support resulting in Ministerial commitment to introduce sales scheme. Market Research Autumn 1988 is already strengthening early estimates of demand. Pilot sscheme intended 1990/91.

OFFICIAL IN LEAD: H C S DERWENT

TELEPHONE 1213-2430

OFFICIAL IN SUPPORT: A B MURRAY

TELEPHONE 1213-2000

FP CONTACT: R G MICHIE

TELEPHONE 270-4922

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FORMf

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: ITV LEVY

STARTER NUMBER: 650

CLASSIFICATION: B1

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+) 1989/90	1990/91		1/4/90	1/4/91	
0	+40	+40	0	0	3 clauses up to 1 page

Minister in
leadPCTA or equivalent
resolution required

FST

No

ORIGIN OF STARTER:

Home Office/Treasury

BACKGROUND AND COMMENTS:

Legislation is needed to alter the levy on ITV profits, either to a revenue levy or a mixed revenue/profits system. The change will be opposed by ITV companies and the film industry. The information on yield and length of legislation are very provisional guesses.

OFFICIAL IN LEAD: Mrs Case

TELEPHONE: 4509

OFFICIAL IN SUPPORT: Mr Perfect

TELEPHONE: 4728

FP CONTACT: MR MICHIE

TELEPHONE: 4922

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: GOVERNMENT STOCK: SMALL ESTATES

STARTER NUMBER: 651

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
cost(-)/yield(+)			1/4/90	1/4/91	
1988/90	1990/91				
NEG	NEG	NEG	NEG	NEG	1 clause 12 lines
Minister in lead			PCTA or equivalent resolution required		
EST			NO		

ORIGIN OF STARTER: BANK OF ENGLAND

BACKGROUND AND COMMENTS:

The proposal would simplify the Bank's arrangements for dealing with small (less than £5,000 market value) holdings of holders who have died. Approved for 1988 Bill but dropped through lack of time. Technical and non-controversial.

OFFICIAL IN LEAD: MISS M O'MARA

TELEPHONE 4699

OFFICIAL IN SUPPORT: M H WHEATLEY

TELEPHONE 4614

FP CONTACT: MR MICHIE

TELEPHONE 4922

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: GILTS REDEMPTION MONIES: NEW PROCEDURES

STARTER NUMBER: 652

CLASSIFICATION: C

Revenue £m*		Staff effect*	Length of legislation*	
cost(-)/yield(+)	(Full year)		1/4/90	1/4/91
1988/90	1990/91			
NEG	NEG	NEG	NEG	NEG
				2 clauses, several subsections 15-20 lines
Minister in lead			PCTA or equivalent resolution required	
EST			NO	

ORIGIN OF STARTER: BANK OF ENGLAND

BACKGROUND AND COMMENTS:

The proposal is to simplify the current administratively complex arrangements for paying redemption monies on gilts. Technical and non-controversial. Approved for 1988 Bill but dropped through lack of time.

OFFICIAL IN LEAD: MISS M O'MARA

TELEPHONE 4699

OFFICIAL IN SUPPORT: M H WHEATLEY

TELEPHONE 4614

FP CONTACT: MR MICHIE

TELEPHONE 4922

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: GILTS REDEMPTION MONIES: PAYMENT OF INTEREST ON MONIES DUE TO DECEASED
HOLDERS

STARTER NUMBER: 653

CLASSIFICATION: C

Revenue £m*		(Full year)	Staff effect*		Length of legislation*
1988/90	1990/91		1/4/90	1/4/91	
NIL	-NEG	-NEG	NEG	NEG	1 clause Several Subsections 15-20 lines - combined with 653
Minister in lead			PCTA or equivalent resolution required		
EST			NO		

ORIGIN OF STARTER: BANK OF ENGLAND

BACKGROUND AND COMMENTS:

The proposal is to permit the Bank to pay a sum in lieu of interest on redemption monies which are delayed, principally because the holder has died and the estate is likely to take some time to wind up.

OFFICIAL IN LEAD: MISS M O'MARA

TELEPHONE 4699

OFFICIAL IN SUPPORT: M H WHEATLEY

TELEPHONE 4614

FP CONTACT: MR MICHIE

TELEPHONE 4922

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FORM

Date of issue:

BUDGET STARTER: REFERENCE SHEET

TITLE: REDEMPTION 3% 1986-1996: WIND UP OF ANNUITIES ACCOUNT AND SINKING FUND

STARTER NUMBER: 654

CLASSIFICATION: C

Revenue £m*		Staff effect*	Length of legislation*	
cost(-)/yield(+)				
1988/90	1990/91	(Full year)	1/4/90	1/4/91
NEG	NEG	NIL	NIL	up to half a page

Minister in lead	PCTA or equivalent resolution required
EST	NO

ORIGIN OF STARTER: HMT

BACKGROUND AND COMMENTS:

The Redemption Annuities Account and the associated Sinking Fund were set up under the Tithe Act 1936 and will have no further purpose once Redemption 3% 1986-1996 is redeemed on 1 October 1988. Legislation is required to end the annual £0.3m grant to the Annuities Account (which would otherwise continue until 1996) and appropriate to the Consolidated Fund the £1.7m residual surplus on the Annuities Account and Sinking Fund. The legislation is unlikely to prove contentious (but propriety of appropriating the residual surplus to the Exchequer may be questioned). Length of legislation agreed with T.Sol.

OFFICIAL IN LEAD: R J DEVEREUX**TELEPHONE** 4648**OFFICIAL IN SUPPORT:** A R REED**TELEPHONE** 4646**FP CONTACT:** MR MICHIE**TELEPHONE** 4922

***HEALTH WARNING** The data reports the position at the time of issue of each Reference Sheet and will be updated only if the scope of the Starter changes significantly. Latest information for all items can be found on the Summary Sheets.

INLAND REVENUE: LIST OF DISCARDED STARTERS

A. INCOME TAX

A1. RAISING THE BENEFITS IN KIND (PIID) THRESHOLD

Ministers considered this on several occasions last year and decided to stick with the present policy of letting the £8,500 threshold "wither on the vine". We assume a further review this year is unnecessary.

B. SAVINGS AND INVESTMENT**B1. PERSONAL PENSIONS: BUY-OUT ANNUITY CONTRACTS**

Friendly Society Liaison Committee have made representations that Section 591(2)(g) ICTA 1988 does not allow approval of a buy-out annuity contract written by a friendly society (as opposed to a life office). We do not accept this, and have said so to the Committee. If there is a problem, it may be in the Social Security legislation, and we have raised the issue with the Department of Social Security.

If, however, the friendly societies can make out a case for amendment to the tax legislation, we may need to consider this as a future starter.

B2. PERSONAL PENSIONS: EXCESS CONTRIBUTIONS

Within personal pension contributions, up to 5 per cent of earnings may be allocated to term life assurance. Section 638 ICTA 1988, which deals with excess personal pension contributions, does not cover the circumstance of this 5 per cent limit being exceeded. Amendment to make the Section comprehensive would be desirable; but the lacuna has not caused any problems so far.

B3. FRIENDLY SOCIETIES: LIMIT ON TAX EXEMPT BUSINESS

Since 1986 the limit on friendly societies' tax exempt business has been set at annual premiums paid of £100, with a 10 per cent tolerance (so £2 a week or £9 a month are the effective limits). There is no strong case for reviewing the limit yet. We may want to do so in the light of the RFS/FIM review of the general friendly societies regime. But raising the limit could constitute a possible "lollipop".

D4. LAFFRAS: DIPLOMATS

Technical consequential of abolition in Finance Act 1988 of apportionment of non-residents' personal allowances from April 1990. Would ensure that diplomats continue to get relief at source during overseas tours of duty. Could be included in any package of technical changes consequential on independent taxation provisions, eg in 1990 Bill.

C. BUSINESS TAXATION**C1. STOCK DIVIDENDS**

Some major companies give shareholders the option of taking new shares instead of dividends. One reason for this is for tax-exhausted companies to avoid paying ACT. At present the scale of this is not sufficient to justify legislation - furthermore, it may be difficult to devise satisfactory counteraction.

C2. PREFERENCE SHARES

Tax-exhausted companies may prefer to raise finance by preference shares instead of loan capital. Even if ACT is payable on the dividends there will be an overall tax saving (particularly if the ACT can be carried back against earlier CT) but it is possible to avoid ACT by misusing the group income election (Section 247). An abuse of this kind applying in the North Sea ring-fence was countered in Finance Act 1987 but there is insufficient evidence of abuse outside the ring-fence to justify separate legislation (but could be dealt with along with a similar point on the Starter "Advance Corporation Tax (change of ownership, surrenders)").

C3. FISH FARMING

The proposal is that fish farming should be treated as "farming" for tax purposes in all circumstances (under present law it may or may not be, depending on the way the fish are reared). The significance is that, if fish farming counts as farming and is carried on by someone who is also engaged in other farming activities, any losses from the general farming activity can be set against fish farming without limit (ie not restricted to the year the loss is incurred and the following year). Though there is much to be said for the proposal in principle, it is not one of major importance; the circumstances in which the wider relief would be available must be limited; and there has been virtually no pressure for change.

D. CAPITAL TAXES

D1. INHERITANCE TAX - TRUSTS

a. Simplify charging structure for discretionary trusts. Offers administrative and compliance cost advantages, but raises issues of principle. Not urgent: best left until after current review of CGT/IT charging structure for trusts.

b. Make gifts with reservation (GWR) rules apply to termination of interest in possession (IIP) otherwise than by voluntary act of life tenant - eg by exercise of trustees' overriding powers. Would correct anomaly inadvertently left by 1986 introduction of GWR rules. Some potential tax loss (unquantifiable) while anomaly remains, but can wait another year for possible inclusion in larger trust package.

c. Make trustees primarily liable (instead of liable pari passu with beneficiaries and - sometimes - settlor) for tax on PET out of IIP trust that comes into charge on death of former life tenant. Minor item, negligible yield (from small administrative saving only), merits uncertain, rejected 1987 and 1988, no lobby pressure, can wait. (Previously linked with this year's Starter on liability of trustees.)

D2. IHT: BUSINESS AND AGRICULTURAL PROPERTY RELIEFS AND NON-PETS

Under IHT, where a charge or further charge arises on a gift of a business or farm because the donor dies within seven years, business or agricultural property relief is available only if the donee has retained the original property, or its replacement, as qualifying property at the time of the donor's death. We are advised that, in the case of non-PETs, such loss of the relief affects the value of the chargeable transfer on which additional tax is payable but not its value for cumulation purposes. Suppose A put unquoted shares worth £200,000 and eligible for BR at 50 per cent into discretionary settlement in April 1988. Tax was paid on £100,000 there being no previous chargeable transfers. The unquoted shares received a USM listing in July 1988 and A died in August 1988 leaving free estate of £200,000. The additional tax on the April 1988 transfer will be calculated by reference to a value transferred of £200,000. However, the tax payable on the free estate will be calculated using a cumulation value of £100,000 for the April 1988 transfer.

Reason for discarding

The situation is most likely to arise in connection with transfers of qualifying property into discretionary trusts. It is seen to be anomalous because if in the above example, the April 1988 transfer had been PET, its value would have been £200,000 both for calculating the tax payable on it and for cumulation with the free estate. The difference in treatment has been noted in Dymond and McCutcheon. Since the opportunity to exploit it involves the prior loss of BR or AR, it should not

be met frequently in practice. However, it remains a candidate for inclusion in a package of any other adjustments to BR and AR or of technical amendments to the IHT code.

D3. IHT: BUSINESS AND AGRICULTURAL PROPERTY RELIEFS AND A&M TRUSTS

At present, when qualifying property is settled on an Accumulation and Maintenance (A&M) Trust and a tax charge rises because of the death of the settlor within seven years, business or agricultural property reliefs are lost if, in the interim, a beneficiary has become entitled to an interest in possession or an absolute interest in that property. The Institute of Taxation and the Institute of Chartered Accountants in England and Wales contend that the reliefs should be available in these circumstances.

Reason for discarding

A&M are discretionary trusts. They are subject to the general rule that where a charge or additional charge arises on a transfer within seven years of death, business and agricultural property relief are only maintained if the transferee (the trustee in the case of a discretionary trust) has retained the property or replacement property at the time of death.

It would be difficult to restrict the change to A&M trusts without creating another anomaly. Any change could be included with that at D2 above, as part of a balanced package.

D4. IHT: EXPLOITATION OF SPOUSE EXEMPTION

There is full IHT exemption for property which passes to a spouse of UK domicile. It appears that this can be exploited to pass assets tax-free to other beneficiaries. By will the whole estate passes to the spouse, but the children make a claim for a share in the estate under the Inheritance (Provision for Family and Dependents) Act 1975. If such a claim were embodied in an order of the Court, under section 146 CTTA we can treat that part of the estate as passing to the children. But the parties arrange instead to compromise the claim without an order. We are advised that in such cases we cannot deny full spouse exemption, particularly since it can be arranged for the sum to be paid out of the spouse's own resources.

The device can also be used where the whole estate is left to charity, although we have some hope of challenge if the charity has to be put in funds to effect the compromise.

Reason for discarding

The device is worth using only in the larger cases, and, as far as we can tell, it is not at present widespread - but its exponents are well known in this area, and are likely to use it more widely. Part of the difficulty is that the parties are not obliged to bring these transactions to our attention.

In preparation of the IHT legislation, Ministers did not feel it necessary to place any limits on spouse exemption, even though this could be used to channel property from testator to beneficiary tax-free if the testator's spouse survives for seven years. Although the "compromise" route is a more artificial one, we do not yet have a sufficiently strong case to urge legislation in these sensitive areas - but for reconsideration (together with related provisions dealing with the variations of wills and settlements within two years of the death) if the device spreads.

D5. IHT: PENALTIES FOR ABUSE OF THE EXCEPTED ESTATES PROCEDURE

The excepted estates procedure is intended to spare the personal representatives from having to deliver an Inland Revenue account in straightforward estates below £70,000. There is evidence of some abuse by taxpayers who obtain a grant where the estate is in excess of the £70,000 limit, or other conditions are not met eg the deceased had an interest in settled property or left substantial foreign assets. One result is a loss of probate fees to the Lord Chancellor's Department and, if not detected, there could also be a loss of IHT and interest. Even where it does come to light (usually by voluntary admission) the IHT legislation provides no penalties for the fraudulent or negligent use of the excepted estates procedure. (cf the penalties that can be exacted under Sections 245-253 IHTA 1984 where the excepted estates procedure has not been used.)

Reason for discarding

Although the absence of penalties here is anomalous, it is unlikely that the imposition of £500 and £250 fines (the amounts prescribed for fraudulent and negligent provision of incorrect information respectively in non-excepted estate cases) would be a significant deterrent to the abuse. If, however, evidence emerges of increasing malpractice, the case for legislation (including the level of penalties generally) would be reconsidered.

D6. IHT: DELETION OF REFERENCE TO TRUSTEE SAVINGS BANK

Section 6(3)(d) CTTA gives exemption to deposits with the National Savings Bank or with a trustee savings bank held by anyone domiciled in the Channel Islands or the Isle of Man. The exemption was introduced to encourage savers in the Islands to invest in those institutions, but Ministers decided in 1984 that it was no longer appropriate to the new TSBs. Legislation was planned for the TSB Bill, rather than the Finance Bill, and Counsel drafted the necessary provision (5 lines) in 1984. But it was dropped with Ministerial approval at the last minute on the grounds that it would mean the TSB Bill dealt with 3 subjects instead of 2, and thus be open to an undesirably wide range of amendments.

Reason for discarding

This is a very minor point which has little connection with anything else which is why it was grouped with the other TSB tax provisions. It is not a pressing problem in practice and only merits a low priority.

D7. IHT: DATE OF DISPOSAL FOR SCOTTISH HERITABLE PROPERTY

For CGT purposes, the date of transfer of Scottish heritable property is (S.27(CGTA)) the date of the contract, or more precisely, the date of completion of binding missives for sale. For IHT, the effective date of transfer is not then, but the later stage when the disposition is delivered to the purchaser. This is particularly relevant to the allocation of agricultural relief. Prior to 1978, our practice in Scotland was the same as elsewhere in the UK, so that we regarded beneficial ownership as passing at the date of contract. But this had to be changed after the Scottish case of Gibson showed it to be contrary to the general law.

Reason for discarding

The Law Society of Scotland press annually for a change to bring the IHT treatment in Scotland in line with that for CGT. However, the point has not in the past been thought sufficiently troublesome to require legislation, and in some cases the change of relief (from vendor to purchaser) would not be welcomed. If legislation were thought appropriate, consultations would be needed with the Lord Advocate's Department because of the implications for general law.

D8. CGT: UNCONDITIONAL CONTRACTS

There is a problem where completion or delivery under an unconditional contract to sell is more than six years after the date of the contract. This is because in law there can be no disposal until completion or delivery and where there is a disposal the date of the disposal is given by the date of the contract which being more than six years before completion is out of date for assessment. Protective assessments would need to be made but until completion there is technically no need to make a return and in any event it may not be possible to determine the quantum. This applies particularly to forward exchange contracts which may result in a loss or a gain.

The BBA has identified this as a problem in relation to swaps but we have no idea about the scale of the problem. Without more evidence we could not justify legislation next year but we shall keep under review.

D9. CGT: RETIREMENT RELIEF: PARTIAL RETIREMENT

There is a special provision to give relief to a full-time working director of a family company who partially retires and then sells his shares some time later when he retires finally. It was intended that the relief should be available only if the director had attained the age of 60 when he ceased to work full-time but the legislation as enacted does not provide for this age restriction. The discrepancy was revealed by a general enquiry and no actual cases have been seen so far. Rectification would result in a negligible revenue yield, and it is not an urgent matter.

D10. CGT: LOSSES ON DISPOSALS OF YACHTS

Until a Special Commissioners decision last year we had regarded a yacht as plant and machinery and therefore a wasting asset so that its cost would be reduced on a straight line basis over its life. Following the Commissioners' decision large private yachts with a life of more than 50 years may now have their cost of acquisition allowed in full. The revenue, involved could be substantial in individual cases but the number of cases is likely to be small and the topic has a low priority.

D11. CGT: HELDOVER GAINS ROLLED INTO PRIVATE RESIDENCE

Provision to restrict gifts holdover relief where the asset is used by the transferee as a private residence. There is no evidence of substantial exploitation and this topic has a low priority.

D12. CGT: SECTION 273 ICTA AND SECTION 98 CGTA

Transfers of assets between companies in the same group give rise to no capital gains charge. If the transferee subsequently becomes an approved investment trust, gains previously accrued will escape charge. It would be desirable to stop this by a provision on the lines of Section 98 CGTA (which deals with a broadly similar point involving unit trusts). There is no evidence that this is a sizeable problem and it has a low priority.

D13. CGT: SHARES EXCHANGED FOR DEBENTURES

Provision is needed to deal with takeovers taking the form of an issue of debentures, redeemable in tranches over say a 5-year period, in exchange for ordinary shares. Done this way to secure benefits of CGT roll-over relief while effectively providing the shareholder with cash sums payable in instalments. Shareholder receives benefit of annual exempt amount and indexation relief on redemption of each tranche. The position this year is no different from last year and we shall continue to monitor.

D14. CGT: TRADING LOSSES OF INDIVIDUAL TRADERS TO BE AGAINST CAPITAL GAINS

This is a subject which Ministers might wish to consider in the light of the unification of rates this year, but it is not of high priority. Companies can already set trading losses against gains.

D15. CGT: ZIM: COMPENSATION AND DAMAGES

In a 1985 High Court case (Zim Properties Ltd v Proctor) it was held that the right to sue for damages was an asset for CGT purposes and, therefore, that the receipt of damages constituted a disposal of that asset. Ministers have agreed that the Revenue should commence detailed work on the terms of a Statement of Practice and Extra-Statutory Concession to remove - so far as possible - the uncertainty and anomalies resulting from the decision. At some point, legislation would be desirable: but there are advantages in gaining the benefits of the operation of the Concession and Statement of Practice first.

D16. CGT: TAX AVOIDANCE

Some adverse Court decisions (Craven v White) on the scope of the so called Ramsay (or Furniss v Dawson) principle have created new opportunities for tax avoidance. The Revenue are reviewing the implications of these decisions and will be reporting to Ministers: it is likely that they will identify areas where new legislation will be desirable, but it is not clear that this can be done in time for inclusion in the 1989 Finance Bill.

E. STAMP DUTY**E1. ABOLITION OF LIFE ASSURANCE POLICY DUTY**

The duty on life assurance policies is 0.05% of the sum assured. Though this duty currently brings in some £80 million a year, it is open to criticism as imposing a second tier of charges on savings flows handled by life offices and as somewhat capricious in its incidence. At the Chancellor's instigation, abolition of life assurance policy duty was one of the possible changes canvassed in the consultative document issued last June on the taxation of life assurance generally.

Reason for discarding

Though in other respects abolition would be a potential "lollipop", the fate of this duty has become bound up with the direct tax changes which are expected to follow from the present consultations on the taxation of life assurance generally. In this context, the possibility of abolishing the stamp duty charge needs to be held in reserve to sweeten what might otherwise be a pretty unpalatable package.

E2. STAMP DUTY APPEAL PROCEDURES

The antiquated appeal procedures for stamp duty require the Board to state a case for the High Court. This has been criticised by senior judges; makes it difficult for us to probe avoidance schemes; and requires every appellant to risk heavy costs. Legislation could provide, in half a page or so, power to make Regulations to bring stamp duty into line with the appeals system for SDRT (and IHT).

Reason for discarding

Changes to peoples' rights of appeal arguably need the fullest possible consultation. It is thus for consideration whether, rather than seeking to legislate in FB 89, a better way forward would be to prepare a consultative document. This would have to be with a view to legislation in 1990 rather than 1989 to allow comments on a draft Clause and draft Regulations.

E3. STAMP DUTY EXEMPTION FOR SHARED OWNERSHIP SCHEMES

When SDRT was introduced in 1986, most of the surviving stamp duty exemptions and reliefs were simply carried through to the new tax. This did not apply to the relief from duty on transfers of securities available to groups of companies. If, as a consequence of TAURUS, more transactions are transferred from stamp duty to SDRT, this "anomaly" could be highlighted.

Reason for discarding

At present no problem in practice as groups of companies have the option of using the stamp duty route. Even if the effect of

TAURUS is to close off this option for some transactions, we would still be chary of extending the relief to SDRT as "Big Bang" has opened up avoidance possibilities.

E4. STAMP DUTY DEFINITION OF A GROUP

Associated companies are relieved of the ad valorem duty that would otherwise arise on transfers of land etc and securities. But companies can qualify for this relief only if they meet a 90% ownership test: the corresponding corporation tax test requires only a 75% relationship. The possibility of relaxing the stamp duty test was floated in the 1983 consultative document (as part of a package which would have permitted clawback of the relief after 2 years if the relationship no longer held). Since then the CBI have perennially asked us for a 75% test.

Reason for discarding

To relax the conditions for this relief would go against the Chancellor's policy objective of 1986 to limit as far as possible all stamp duty reliefs/exemptions applying to the City. It is not clear that requiring a 90% relationship creates much difficulty for groups in practice - so the values of their particular change as a "lollipop" would be limited. It would also risk sparking off pressure for the extension of group relief to SDRT (see above).

E5. STAMP DUTY PRE-CONSOLIDATION AMENDMENTS

The basic stamp duty provisions date back to 1870, and were last consolidated in 1891. Especially with the changes of the last few years, there is clearly a strong case for a further consolidation. Substantial pre-consolidation amendments (a FB matter) would be required to bring some of the older provisions up to date.

Reason for discarding

In the immediate future there is no prospect of the resources being available for the significant amount of work stamp duty consolidation would involve.

F. INTERNATIONAL TAXATION**F1. AMENDMENT OF RULES FOR PAYING AND COLLECTING AGENTS.**

We have been considering a recent Solicitor's Opinion that our practice in one important respect is unlikely to be upheld by the Courts and is at variance with the practice which Ministers indicated would be adopted on the introduction of the legislation.

Reason for discarding

Discussions with the British Bankers Association remain in progress. There are a number of organisational and legal matters which still need to be resolved. It seems most unlikely that the conclusion will be that we should legislate to maintain our present practice.

F2. DOUBLE TAXATION RELIEF: COMPANY MERGERS

Where a UK resident company controls at least 10 per cent of the voting power of a non-resident company and receives a dividend from that company, double taxation relief is normally available in respect of foreign tax on the profits out of which the dividend is paid. But relief is not available where the company which paid the taxes merges with another company and ceases to exist before the dividend is paid.

The CBI in their 1986, 1987 and 1988 Budget representations and in the 1989 draft technical representations have asked for the "anomaly" to be removed.

Reason for discarding

In principle there is a reasonable case for amending the legislation so that relief would be available in respect of dividends paid out of pre-merger profits, whether or not the company paying the dividend also paid the tax on the underlying profits. The difficulty arises from the fact that the necessary change cannot be made in isolation. First, there are a number of other problems in the area of underlying relief, for example the definition of "relevant profits" under Section 799 ICTA 1988 which it could be difficult to defend a failure to address while taking action on the mergers point. Second, there are essential knock on changes to be made to the 1984 CFC legislation (and Ministers have previously accepted that a return to that controversial area, for the purpose of correcting the mergers anomaly was unattractive). Finally, there is a slippery slope argument. Any action on these relatively minor matters would almost certainly encourage the representative bodies to increase their pressure for a major and costly change to the system of tax credit relief - the introduction of "pooling" arrangements. (This too, figures in the draft FB89 technical representations by the CBI).

G. MISCELLANEOUS

G1. EXTENSION OF INFORMATION POWERS TO COVER PERSONS WITH NO UK TAX LIABILITY

Our statutory information powers only allow us to make formal requests for information concerning persons with UK tax liability. We cannot require information about persons with no UK tax liability. Arguably this is in breach of the 1977 EC Mutual Assistance Directive. However, the interaction with possible developments of this Directive, in the EC Capital Liberalisation context, militates against legislating until these developments are known. Ministers will have to form a view on Commission proposals in this area by end June 1989.

G2. ELECTRONIC PAYMENT OF DIVIDENDS - REPLACEMENT OF S234 ICTA 1988 REQUIREMENT FOR DIVIDEND VOUCHERS

Although there seems no insuperable problems with this long-running proposal, past progress has been slow. The measure, while deregulatory for big business, may not be welcomed by small shareholders. The banks want enabling legislation before the detailed rules have been worked out. We think this premature, at best.