PO-CH/NL/0754 PART A

2/2

CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET DATE OF ISSUE: 28 September 1989

TITLE: Extension of periodic entry schemes.

STARTER NUMBER: 60 CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 10 lines |

| | | | |
|---|---|---|---|
| Minister in lead | PMG | PCTA or equivalent resolution required | No |

ORIGIN OF STARTER: CUSTOMS

PURPOSE OF STARTER: To permit forwarding agents to operate as authorised traders under the Simplified Period Entry Scheme. CEMA 37A currently only refers to importers. It is proposed to extend CEMA 37, 37A, 37B and 37C to include forwarding agents. The scheme provides faster clearance of EC goods by replacing individual declarations for each import with period declarations on a schedule.

KEY POINTS: This proposal will extend the facilitation of Community import clearance in the lead up to the creation of the Single Market in 1993 and is not controversial.


OFFICIAL IN LEAD: M PEACH TELEPHONE: 865 (GIN 3913) - 4466

OFFICIAL IN SUPPORT: K MARSHALL TELEPHONE: 865 (GIN 3913) - 4435

FP CONTACT: R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Carriage of exports on a coastwise Ship

**STARTER NUMBER:** 61 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Nil | Nil | Nil | Nil | 4-5 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To permit goods cleared for export to be carried on a coastwise ship. Customs and Excise Management Act (CEMA) 69(2) currently debars this; CEMA 70(2) allows a derogation in similar circumstances for import traffic subject to Commissioners' conditions. It is proposed to extend 70(2) to cover export traffic

**KEY POINTS:** The proposal would remove a constraint on trade and is not controversial.

**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) 4466

**OFFICIAL IN SUPPORT:** H LAIRD **TELEPHONE:** 865 (GIN 3913) 4354

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Extension of provisions for clearance of goods inland

**STARTER NUMBER:** 62 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Nil | Nil | | Nil | Nil | 20 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER AND KEY POINTS:** The Customs & Excise Management Act Section 31(i) allows one movement inland to an approved place in the case of imported goods or one movement to place of export for exported goods. It is felt desirable, particularly with the extension of Local Import Control (LIC) and Local Export Control (LEC) to freight forwarders in the build-up to 1992, to allow greater number of movements.

**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) 4466

**OFFICIAL IN SUPPORT:** D KESBY **TELEPHONE:** 865 (GIN 3913) 4244

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Unauthorised removal of goooods

**STARTER NUMBER:** 63 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 2-3 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To amend Section 42 Customs and Excise Management Act so that action can be taken against the person who caused goods to be removed without authority.

**KEY POINTS:**

1. Regulations made under S42 cover the unloading and removal of imported goods.

2. If goods are removed without authority, action can only be taken against the person who actually removed the goods, a person who caused the removal to take place cannot be penalised.

3. This aspect will become more important with the continuing move from physical to audit based control.

4. Not expected to be controversial.

**OFFICIAL IN LEAD:** A KILLIKELLY **TELEPHONE:** 865 (GIN 3913) 4574

**OFFICIAL IN SUPPORT:** R D W LIVINGSTONE **TELEPHONE:** 865 (GIN 3913) 4591

**FP CONTACT:** R 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.

CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET DATE OF ISSUE: 28 September 1989

TITLE: Penalties for illegal export of dutiable or restricted goods

STARTER NUMBER: 64 CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 15 lines |

| | | | |
|---|---|---|---|
| Minister in lead | PMG | PCTA or equivalent resolution required | No |

ORIGIN OF STARTER: CUSTOMS

PURPOSE OF STARTER: To extend penalties available under Customs and Excise Management Act (CEMA) 53(10) in respect of the illegal shipment before entry of non-dutiable and non-restricted goods to include dutiable or restricted goods as well. This proposal should not be controversial.

KEY POINTS: Currently, a penalty of £1,000 is applicable to non-dutiable and non-restricted goods whereas dutiable and restricted goods, under CEMA 53(8), are only liable to forfeiture. This is ineffective when the ship has sailed and disadvantages other traffic when goods are overstowed.


OFFICIAL IN LEAD: M PEACH TELEPHONE: 865 (GIN 3913) - 4466

OFFICIAL IN SUPPORT: K MARSHALL TELEPHONE: 865 (GIN 3913) - 4354

FP CONTACT: R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Duty rates

**STARTER NUMBER:** 1 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| +1210 | +1325 | Nil | Nil | 2 pages and 12 pages of schedule (1 page and 11 pages of schedule for VED purposes) |

| Minister in lead | CHANCELLOR | PCTA or equivalent resolution required | Yes- up to 8 separate resolutions |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS (TREASURY FOR VEHICLE EXCISE DUTY (VED))

**PURPOSE OF STARTER:** To raise excise duty rates in line with an inflation rate of 6.5 per cent, that being the rate assumed for the 12 months prior to December 1989. The 1991/92 yield is based on a further revalorisation of 5.7 per cent.

**KEY POINTS:** 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.

**OFFICIAL IN LEAD:** W PARKER **TELEPHONE:** 865 (GIN 3913) 5023

**OFFICIAL IN SUPPORT:** P COLLINS **TELEPHONE:** 865 (GIN 3913) 5059

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER:** REFERENCE SHEET **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of gas oil and fuel oil duties

**STARTER NUMBER:** 2 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| -200 | -210 | -5 | -5 | 1 page |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** MINISTERS

**PURPOSE OF STARTER:** With Ministerial authority, Customs are consulting Departments of Energy and Trade and Industry on the detailed consequences of abolition at 1990 Budget. Abolition of both duties would remove all remaining oil duty burdens on business, apart from the duties on road fuel. At the request of PE and FP Treasury, abolition of gas oil duty is being considered on supply side grounds.

**KEY POINTS:** Abolition of gas oil and fuel oil duty has been examined in previous years, including last year, but rejected because reduction in duty would increase price of natural gas supplied to and by British Gas under a number of commercial contracts, principally that for supplies from Norwegian sector of the Frigg Field. However, Frigg is expected to be effectively off stream by late 1989 or early 1990. Deregulatory benefits for businesses, especially fishing and horticulture, where fuel and gas oil duty relief schemes would no longer be required.

**SUBMISSION:** End October 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** S H SPACKMAN **TELEPHONE:** 865 (GIN 3913) 5107

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of match and mechanical lighter duties

**STARTER NUMBER:** 3 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| -20 | -20 | -8 | -8 | 4 lines and 3/4 page of schedule |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** The continued existence of these minor duties has been reviewed over recent years with abolition being deferred because of industrial considerations for the match factory at Liverpool. Last year we submitted that abolition be delayed until Budget 1991 or 1992 (minute to EST of 12 October 1988). We now think that abolition is a possibility for Budget 1990 with Budget 1991 at the latest.

**KEY POINTS:** Abolition of the duties while ending relevant compliance costs would encourage sales of imported mechanical lighters, largely at the expense of UK match production. Bryant and May Limited, probably supported by Department of Trade and Industry, likely to make representations that further time required to enable match industry to restructure and diversify.

**SUBMISSION:** End September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** R A CLEAVER **TELEPHONE:** 865 (GIN 3913) 5103

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: - Restructuring of Gaming Licence Duty

**STARTER NUMBER:** 4 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | | | 2 pages |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To restructure gaming licence duty by revalorising existing graduated duty bands or by variations in rates; also to change half-yearly returns and payments of duty 5 months in arrears to quarterly returns and payments 1 month in arrear.

**KEY POINTS:** Casino industry seeks relief particularly for London casinos faced with stiff international competition. Present payment arrangements involve some risk of default. Proposed change would lessen risk and could produce a once-for-all revenue gain. Industry would probably seek transitional relief. Strategy: to produce balanced package securing improved collection arrangements with some compensating reduction of duty burden. Changes possibly for implementation in 1990/91.

**SUBMISSION:** November 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913)

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Repayment arrangements for surrendered gaming machine licences

**STARTER NUMBER:** 5 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 24 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To reduce minimum period for repayment of duty on surrender of unexpired gaming machine licence from 3 months to 1 month.

**KEY POINTS:** Requirement unnecessarily restrictive and anomalous. Reduction to 1 month would align with present rules for credit of duty when licences exchanged. Change would have deregulatory effect and simplify administration for trade and Customs.

**SUBMISSION:** End September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913) 5063

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of administrative requirements for Pool Betting Duty

**STARTER NUMBER:** 6 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Nil | Nil | Nil | Nil | 24 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To relieve pools promoters of need to make entry and obtain permits from the Commissioners authorising them to carry on business in respect of any premises.

**KEY POINTS:** Requirements unnecessarily onerous; could be replaced by single requirement to notify Commissioners of intention to commence pool betting. Change, together with relaxation in frequency promoters pay duty (no legislative change necessary) would have deregulatory effect; would also simplify administration of duty.

**SUBMISSION:** End of September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913) 5063

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Definition of methylated spirits

**STARTER NUMBER:** 7 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of* Legislation |
|---|---|---|---|---|
| Nil | Nil | Nil | Nil | 3-6 lines (depends on developments in Brussels) |

**Minister in lead** PMG **PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** EC Commission likely to take infraction proceedings on ground that UK control regime for denaturing spirits for duty free industrial use constitutes an artificial barrier to trade. Present requirements for methylation to take place only in the UK and for duty free spirits to be delivered for denaturing only from a bonded warehouse not really defensible. Extent of proposed changes depends on Commission reactions and the outcome of a current deregulation review.

**KEY POINTS:** Single Market measure - present UK regime incompatible with Treaty. Increased competition may be unwelcome to UK industry.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D J BAUST **TELEPHONE:** 865 (GIN 3913) 5083

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Removal of requirement to age spirits

**STARTER NUMBER:** 8 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Nil | Nil | Neg | Neg | 1½ lines and 1/3 page of schedule |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Repeal of Section of 31 of the Alcoholic Liquor Duties Act 1979 which requires most spirits to be aged for three years before consumption in the United Kingdom. Originally introduced to curtail alcohol consumption during the First World War, this measure is obsolete and has been superseded by Community legislation. Regulation 1576/89/EEC lays down ageing requirements for whisky and brandy only; other spirits are not subject to such restriction.

**KEY POINTS:** Repeal of spent provision. Position of Scotch whisky unchanged and now protected under Community legislation.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D HOLLINRAKE **TELEPHONE:** 865 (GIN 3913) 5082

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Houses provided by distillers for official staff

**STARTER NUMBER:** 9 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 3-4 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Alcoholic Liquor Duties Act 1979, S.12(6)-(9) requires a licenced distiller to provide suitable living accommodation for the officer and permits the Commissioners to revoke a licence where such accommodation is not satisfactory. Following a review of distillery control policy, officers are no longer required to live at distilleries and the provided houses are no longer necessary.

**KEY POINTS:** Repeal of spent provision. Will be welcomed by Scotch Whisky Association.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D J BAUST **TELEPHONE:** 865 (GIN 3913) 5083

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Stores for private boats and aircraft

**STARTER NUMBER:** 30 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| +5 | +5 | | Neg | Neg | 5 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To effect the ending of derogations F21 and F22 in Sixth VAT Directive following adoption of 18th VAT Directive - ending the zero-rating of supplies to private boats and aircraft.

**KEY POINTS:** Obligation to change law following adoption of 18th VAT Directive. Trade resistance likely to be minimal.

**OFFICIAL IN LEAD:** B J COCKERELL **TELEPHONE:** 865 (GIN 3913) 5319

**OFFICIAL IN SUPPORT:** B W HAMILTON **TELEPHONE:** 865 (GIN 3913) 5327

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Default interest in relation to variable accounting periods

**STARTER NUMBER:** 31 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 3 lines |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** The amendment is required to ensure that default interest can be charged in relation to accounting periods of variable length, in particular annual return accounting.

**KEY POINTS:** Annual return accounting periods were introduced in July 1988 following provision in the FA 1987. Currently Section 18(4) FA 1985 provides only for accounting periods which do not exceed 3 months.

**OFFICIAL IN LEAD:** A FERGUSON **TELEPHONE:** 0702-36 (GIN 3019) 7088

**OFFICIAL IN SUPPORT:** R M PORTER **TELEPHONE:** 0702-36 (GIN 3019) 7097

**FP CONTACT:** R C 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Revalorisation of registration and deregistration thresholds

**STARTER NUMBER:** 32 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | S I (assuming no increase in real terms) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** 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 £23,600 to about £25,100 in the 1990 Budget to maintain its real value at the 1973 level. The deregistration threshold will be increased by the same amount from £22,600 to about £24,100

**KEY POINTS:** Commission accept UK right to index threshold, but not the baseline we use, and have for some time been threatening infraction proceedings. Draft Directive on Small and Medium Sized Enterprises would allow threshold of 35,000 ECU (=£22,960). Action in Brussels in abeyance and developments before Budget unlikely.

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

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** W HOGGETT **TELEPHONE:** 0702-36 (GIN 3019) 7127

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Simplification of registration requirements

**STARTER NUMBER:** 33 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| | | Neg | Neg | 1 page and 37 lines |
| -20 to 30 | -50 to 70 (Subject to further work) | | | |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** 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 £8,000; or in the four quarters then ended has exceeded £23,600; or at any time if there are reasonable grounds for believing that the value of taxable supplies in the coming year will exceed £23,600.

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 £23,600.

This proposal was Starter No 35 for the 1989 Budget, and was a late withdrawal.

**KEY POINTS:** 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 32). 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.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** W HOGGETT **TELEPHONE:** 0702-36 (GIN 3019) 7127

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Change in maximum rate of default surcharge

**STARTER NUMBER:** 34 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| -15 | -20 | Nil | Nil | 10 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Reduction of the maximum rate of default sucharge to 20%.

**KEY POINTS:** The present maximum rate of surcharge of 30% has proved to have little effect on persistent non-compliance. In the course of the review of default surcharge we received a number of criticisms of this high rate and it is clear that a large proportion of those taxpayers who are surcharged at 30% are unable to pay the tax on time irrespective of the penalty. If approved this measure would help many small businesses adversely affected by the surcharge.

This proposal was put forward for the 1989 Finance Bill as starter no. 38 but was dropped at a late stage.

**OFFICIAL IN LEAD:** R D GODDARD **TELEPHONE:** 0702-36 (GIN 3019) 7105

**OFFICIAL IN SUPPORT:** B J MAULT **TELEPHONE:** 0702-36 (GIN 3019) 7124

**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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Bad debt relief

**STARTER NUMBER:** 35 **CLASSIFICATION:** B.2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| -50 | -150 | +20 | +20 | 1 page and 37 lines (already drafted for 1989 budget) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To implement the recommendations of a review of existing arrangements for relief from VAT on bad debts.

**KEY POINTS:** Allows relief from VAT on any debt which is more than 18 months old and which has been written off in the trader's accounts; provides for repayment of all or part of relief claimed where debt is subsequently paid in whole or part. Would be very much welcomed by the trade.

Was put forward for the 1989 finance Bill as starter no 37 but was dropped at a late stage.

**OFFICIAL IN LEAD:** A F CROSS-RUDKIN **TELEPHONE:** 051-922 6396 (GIN 4138) ext 245

**OFFICIAL IN SUPPORT:** M L GRIBBIN **TELEPHONE:** 051-922 6396 (GIN 4138) ext 252

**FP CONTACT:** R C 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Self supply for leased vehicles converted into motor cars

**STARTER NUMBER:** 36 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg | Neg | Nil | Nil | 4/5 lines |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To prevent possible VAT avoidance, and ensure all motor cars used by businesses receive equal treatment, by giving power to create a VAT self-supply when a leased vehicle is converted into a motor car.

**KEY POINTS:** The intention of current legislation (VAT (Cars) Order 1980) is that VAT on motor cars used in a business is not recoverable as input tax. There is a loophole in the case of vehicles (non-cars) owned by leasing companies which are subsequently converted into motor cars. Section 3(5) of the VAT Act provides the vires for the Order and needs to be amended before the Order can be corrected. The estimate of length of legislation is a best guess.

**OFFICIAL IN LEAD:** I WALTON **TELEPHONE:** 865 (GIN 3913) 5295

**OFFICIAL IN SUPPORT:** G J ELANDER **TELEPHONE:** 865 (GIN 3913) 5313

**FP CONTACT:** R 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.

fp.nh/ks/109

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** VAT : Input tax on domestic accommodation

**STARTER NUMBER:** 37 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +7 to 12 | +15 to 25 | | NIL | NIL | 9/10 lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | Yes |

**ORIGIN OF STARTER:** Customs

**PURPOSE OF STARTER:** To amend section 14(3) of VAT Act 1983 specifically to exclude from the definition of "input tax" the tax on goods and services which relate to the provision of accommodation provided by businesses for private and domestic use.

**KEY POINTS:** Recent Tribunal and Court decisions have allowed businesses to recover input tax on repairs, refurbishments etc of domestic accommodaation provided free of charge to employees and directors. This was not the intention of the legislation. This clarificatory amendment would put an end to tax avoidance and the present inequity of treatment in this area.

**OFFICIAL IN LEAD:** I WALTON **TELEPHONE** 865 (GTN 3913) 5295

**OFFICIAL IN SUPPORT:** G J ELANDER **TELEPHONE** 865 (GTN 3913) 5313

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER:** REFERENCE SHEET **DATE OF ISSUE:** 28 September 1989

**TITLE: VAT:** Treatment for VAT purposes of excise manufacturing premises

**STARTER NUMBER:** 38 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 10 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | Yes |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** i. To remove lacunae which prevent collection of VAT on the value of the relevant duty when goods are warehoused after a duty-free supply and are subsequently diverted to home use (either regularly or irregularly).

ii. To provide equitable treatment of dutiable goods for VAT purposes between customs warehouses and excise registered premises.

**KEY POINTS:** Unlikely to be controversial. Affords similar treatment to duty-free supplies as to other supplies and puts treatment of excise manufacturing premises on same footing as customs warehouses.

**OFFICAL IN LEAD:** B J COCKERELL **TELEPHONE** 865(GIN 3913) 5319

**OFFICIAL IN SUPPORT:** M C GREEN **TELEPHONE** 865(GIN 3913) 5320

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Treatment of beer ex warehouse

**STARTER NUMBER:** 39 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 10 lines (guesstimate) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** Yes

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To apply Section 35 of VAT Act to beer in order to remove a lacuna which prevents collection of VAT on the value of the relevant drawback which is repayable when beer is warehoused, sold at a duty-free price and subsequently irregularly diverted to home use.

**KEY POINTS:** Unlikely to be controversial; puts treatment of beer ex warehouse on same footing as other products.

**OFFICIAL IN LEAD:** B J COCKERELL **TELEPHONE:** 865(GIN 3913) 5319

**OFFICIAL IN SUPPORT:** M C GREEN **TELEPHONE:** 865(GIN 3913) 5320

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** CAR TAX: Relief for cars used for research and development

**STARTER NUMBER:** 40 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | Up to 20 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To replace an extra statutory concession by legislation to allow relief from car tax on cars either made, purchased or imported by a person registered for car tax, provided that Customs and Excise are satisfied that the cars are used for research and development purposes by that registered person.

**KEY POINTS:** Legislation already provides VAT relief in these circumstances.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GTN 3019) 7914

**OFFICIAL IN SUPPORT:** F J DOBINSON **TELEPHONE:** 0702-36 (GTN 3019) 6996

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** CAR TAX - Chargeability of unregistered imported vehicles

**STARTER NUMBER:** 41 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg | Neg | Nil | Nil | Up to 15 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Under Section 1(1)(a) of the Car Tax Act 1983 the tax is charged only where a registered person makes or registers a chargeable vehicle in the United Kingdom. If a registered person imports such a vehicle and it is used either for purposes which do not require registration or illegally without being registered in the UK no charge to car tax arises.

A small amendment to existing legislation would eliminate the unfair competitive advantage which imported vehicles would have over UK manufactured ones and prevent tax avoidance.

**KEY POINTS:** Ford Motor Co are known to be considering supplying vehicles in this way to British Airports Authority. BAA need not register the vehicles unless they are used on public roads.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** F J DOBINSON **TELEPHONE:** 0702-36 (GIN 3019) 6996

**FP CONTACT:** R 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.

Open.

Much of this cost list — how often.

Ground rules — say what you think — pref. briefly.

— don't worry about outrageous / minority views.

— do write fresh ideas / nothing is off limits.

At present, little room for manoeuvre...

can't hurting / can't working? How that time fiscal stance to complement monetary policy.

Not really had a chance to look @ Budget.

Today, just look @ Charter / but later.

— Savings; VAT small business plague dropped this yr; some old + familiar friends from previous years (round-a-room) (gifts to charities).

I don't have much enthusiasm for disturbing 1988 reforms — though I don't yet fully procure that.

There are also one or two novelties that would not be of interest to the present cost list. Tentatively thought —

STARTERS. — merits
— Expediency. Two may.

Before: Peter
Brian
Troy. general comments: not just on Charter.

Backbenchers: c.c. report / Independent Taxation.

Size of bill

100 - 150 pp. already.

FROM: J M G TAYLOR
DATE: 14 SEPTEMBER 1989

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Culpin
Mr Sedgwick
Mr Gilhooly
Mr Michie
Mr Riley
Mr Matthews
Miss Hay
Mr Macpherson
Mrs Chaplin
Mr Tyrie
Mr Lightfoot

PS/IR
Mr Shaw - IR

PS/C&E
Mr Parker - C&E
Mr Warr - C&E
Mr Jenkins - C&E Parly Counsel

**1990 FINANCE BILL: STARTS EXERCISE**

The Chancellor has seen Mr K Sedgwick's note of 12 September setting out the proposed arrangements for keeping Ministers informed about the progress of the Finance Bill Starters. He has commented that this all seems very sensible.

J M G TAYLOR

fp.nh/ks/132

UNCLASSIFIED

FROM: K SEDGWICK (FP)
DATE: 12 September 1989
x 5169

1. MR MICHIE 12/9
2. MR GILHOOLY 12/9
3. FINANCIAL SECRETARY

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Scholar
Mr Culpin
Mr Riley
Mr Matthews
Miss Hay
Mr Macphersn
Mrs Chaplin
Mr Tyrie
Mr Lightfoot

PS/IR
Mr Shaw - IR
PS/C&E
Mr Parker - C&E
Mr Warr - C&E
Mr Jenkins - Parly Counsel

Ch.
This all seems sensible.
13/9

**1990 FINANCE BILL: STARTERS EXERCISE**

In view of Ministerial and staff changes we thought it might be useful to highlight the proposed arrangements for keeping Ministers informed about the progress of the Finance Bill Starters.

Opening position

2. We are awaiting the outcome of the trawling exercise of the Inland Revenue, Customs & Excise, Department of Transport and Treasury Divisions for candidates for the 1990 Starters list. A full list of starters with supporting background information will be presented to Ministers in Mid-October (last year - 13 October). The information will be presented in the same format as last year i.e. -

(i) an index of the starters by Department,

(ii) summary sheets listing the starters in numerical order with basic information on revenue and staff effects which will be revised and updated as necessary (example at Annex A); and

(iii) reference sheets providing background information which will not be updated unless the scope of the starter changes significantly (example at Annex B).

**Updating**

3. After the initial package has been circulated, revised index sheets and summary sheets will be issued on a fortnightly basis; these should replace earlier editions. Each starter will be allocated one of the following status categories:

NSM - A first submission not yet sent to Ministers.
UCM - Under consideration by Ministers.
I - Included.
I* - Included (provisionally).
D - Dropped.
D* - Dropped (provisionally).

As work progresses on each starter it will be reclassified as appropriate.

**Finance Bill drafting**

4. Last year, the Chancellor was concerned to spread out as much as possible, the burden of drafting which falls on Parliamentary Counsel, and was content, where sensible, that officials send provisional instructions to Counsel before Ministers had taken decisions. We propose to adopt this system again this year. Parliamentary Counsel is content.

## Minor Starters Meetings

5. Last year the Chancellor's meeting to review minor starters was held on 8 November. The Economic Secretary held two preliminary meetings on 26 and 27 October and the Financial Secretary on 28 October. We propose to try to keep to this sort of timetable this year. We will be in touch with Private Offices shortly to arrange exact dates.

## Conclusion

6. I would be grateful to know if you are content with the proposed arrangements.

K SEDGWICK
Fiscal Policy Division

CLASSIFICATION

**BUDGET STARTERS: SUMMARY SHEETS**
**INLAND REVENUE:**

Date: 09/08/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |

fp.nh/ks/108

B

Date of issue:

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:**

**STARTER NUMBER:** **CLASSIFICATION:**

---

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |

---

**Minister in lead**

**PCTA or equivalent resolution required**

---

**ORIGIN OF STARTER:**

**PURPOSE OF STARTER:**

**KEY POINTS:**

**OFFICIAL IN LEAD:** **TELEPHONE**

**OFFICIAL IN SUPPORT:** **TELEPHONE**

**FP CONTACT:** **TELEPHONE**

***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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Duty rates

CUSTOMS

**STARTER NUMBER:** 1 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| +1210 | +1325 | Nil | Nil | 2 pages and 12 pages of schedule (1 page and 11 pages of schedule for VED purposes) |

| Minister in lead | CHANCELLOR | PCTA or equivalent resolution required | Yes- up to 8 separate resolutions |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS (TREASURY FOR VEHICLE EXCISE DUTY (VED))

**PURPOSE OF STARTER:** To raise excise duty rates in line with an inflation rate of 6.5 per cent, that being the rate assumed for the 12 months prior to December 1989. The 1991/92 yield is based on a further revalorisation of 5.7 per cent.

**KEY POINTS:** 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.

**OFFICIAL IN LEAD:** W PARKER **TELEPHONE:** 865 (GIN 3913) 5023

**OFFICIAL IN SUPPORT:** P COLLINS **TELEPHONE:** 865 (GIN 3913) 5059

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of gas oil and fuel oil duties

**STARTER NUMBER:** 2 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| -200 | -210 | | -5 | -5 | 1 page |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** MINISTERS

**PURPOSE OF STARTER:** With Ministerial authority, Customs are consulting Departments of Energy and Trade and Industry on the detailed consequences of abolition at 1990 Budget. Abolition of both duties would remove all remaining oil duty burdens on business, apart from the duties on road fuel. At the request of PE and FP Treasury, abolition of gas oil duty is being considered on supply side grounds.

**KEY POINTS:** Abolition of gas oil and fuel oil duty has been examined in previous years, including last year, but rejected because reduction in duty would increase price of natural gas supplied to and by British Gas under a number of commercial contracts, principally that for supplies from Norwegian sector of the Frigg Field. However, Frigg is expected to be effectively off stream by late 1989 or early 1990. Deregulatory benefits for businesses, especially fishing and horticulture, where fuel and gas oil duty relief schemes would no longer be required.

**SUBMISSION:** End October 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** S H SPACKMAN **TELEPHONE:** 865 (GIN 3913) 5107

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of match and mechanical lighter duties

**STARTER NUMBER:** 3 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| -20 | -20 | -8 | -8 | 4 lines and 3/4 page of schedule |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** The continued existence of these minor duties has been reviewed over recent years with abolition being deferred because of industrial considerations for the match factory at Liverpool. Last year we submitted that abolition be delayed until Budget 1991 or 1992 (minute to EST of 12 October 1988). We now think that abolition is a possibility for Budget 1990 with Budget 1991 at the latest.

**KEY POINTS:** Abolition of the duties while ending relevant compliance costs would encourage sales of imported mechanical lighters, largely at the expense of UK match production. Bryant and May Limited, probably supported by Department of Trade and Industry, likely to make representations that further time required to enable match industry to restructure and diversify.

**SUBMISSION:** End September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** R A CLEAVER **TELEPHONE:** 865 (GIN 3913) 5103

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: - Restructuring of Gaming Licence Duty

**STARTER NUMBER:** 4 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | | | 2 pages |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | Yes |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To restructure gaming licence duty by revalorising existing graduated duty bands or by variations in rates; also to change half-yearly returns and payments of duty 5 months in arrears to quarterly returns and payments 1 month in arrear.

**KEY POINTS:** Casino industry seeks relief particularly for London casinos faced with stiff international competition. Present payment arrangements involve some risk of default. Proposed change would lessen risk and could produce a once-for-all revenue gain. Industry would probably seek transitional relief. Strategy: to produce balanced package securing improved collection arrangements with some compensating reduction of duty burden. Changes possibly for implementation in 1990/91.

**SUBMISSION:** November 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913)

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Repayment arrangements for surrendered gaming machine licences

**STARTER NUMBER:** 5 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 24 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To reduce minimum period for repayment of duty on surrender of unexpired gaming machine licence from 3 months to 1 month.

**KEY POINTS:** Requirement unnecessarily restrictive and anomalous. Reduction to 1 month would align with present rules for credit of duty when licences exchanged. Change would have deregulatory effect and simplify administration for trade and Customs.

**SUBMISSION:** End September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913) 5063

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Abolition of administrative requirements for Pool Betting Duty

**STARTER NUMBER:** 6 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Nil | Nil | Nil | Nil | 24 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To relieve pools promoters of need to make entry and obtain permits from the Commissioners authorising them to carry on business in respect of any premises.

**KEY POINTS:** Requirements unnecessarily onerous; could be replaced by single requirement to notify Commissioners of intention to commence pool betting. Change, together with relaxation in frequency promoters pay duty (no legislative change necessary) would have deregulatory effect; would also simplify administration of duty.

**SUBMISSION:** End of September 1989

**OFFICIAL IN LEAD:** D A GAW **TELEPHONE:** 865 (GIN 3913) 5101

**OFFICIAL IN SUPPORT:** N J PRITCHARD-WOOLLETT **TELEPHONE:** 865 (GIN 3913) 5063

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Definition of methylated spirits

**STARTER NUMBER:** 7 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of* Legislation |
|---|---|---|---|---|
| Nil | Nil | Nil | Nil | 3-6 lines (depends on developments in Brussels) |

**Minister in lead** PMG **PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** EC Commission likely to take infraction proceedings on ground that UK control regime for denaturing spirits for duty free industrial use constitutes an artificial barrier to trade. Present requirements for methylation to take place only in the UK and for duty free spirits to be delivered for denaturing only from a bonded warehouse not really defensible. Extent of proposed changes depends on Commission reactions and the outcome of a current deregulation review.

**KEY POINTS:** Single Market measure - present UK regime incompatible with Treaty. Increased competition may be unwelcome to UK industry.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D J BAUST **TELEPHONE:** 865 (GIN 3913) 5083

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Removal of requirement to age spirits

**STARTER NUMBER:** 8 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Neg | Neg | 1½ lines and 1/3 page of schedule |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Repeal of Section of 31 of the Alcoholic Liquor Duties Act 1979 which requires most spirits to be aged for three years before consumption in the United Kingdom. Originally introduced to curtail alcohol consumption during the First World War, this measure is obsolete and has been superseded by Community legislation. Regulation 1576/89/EEC lays down ageing requirements for whisky and brandy only; other spirits are not subject to such restriction.

**KEY POINTS:** Repeal of spent provision. Position of Scotch whisky unchanged and now protected under Community legislation.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D HOLLINRAKE **TELEPHONE:** 865 (GIN 3913) 5082

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** EXCISE: Houses provided by distillers for official staff

**STARTER NUMBER:** 9 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 3-4 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Alcoholic Liquor Duties Act 1979, S.12(6)-(9) requires a licenced distiller to provide suitable living accommodation for the officer and permits the Commissioners to revoke a licence where such accommodation is not satisfactory. Following a review of distillery control policy, officers are no longer required to live at distilleries and the provided houses are no longer necessary.

**KEY POINTS:** Repeal of spent provision. Will be welcomed by Scotch Whisky Association.

**OFFICIAL IN LEAD:** P B KENT **TELEPHONE:** 865 (GIN 3913) 5072

**OFFICIAL IN SUPPORT:** D J BAUST **TELEPHONE:** 865 (GIN 3913) 5083

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Stores for private boats and aircraft

**STARTER NUMBER:** 30 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| +5 | +5 | | Neg | Neg | 5 lines |

| | | | |
|---|---|---|---|
| Minister in lead | PMG | PCTA or equivalent resolution required | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To effect the ending of derogations F21 and F22 in Sixth VAT Directive following adoption of 18th VAT Directive - ending the zero-rating of supplies to private boats and aircraft.

**KEY POINTS:** Obligation to change law following adoption of 18th VAT Directive. Trade resistance likely to be minimal.

**OFFICIAL IN LEAD:** B J COCKERELL **TELEPHONE:** 865 (GIN 3913) 5319

**OFFICIAL IN SUPPORT:** B W HAMILTON **TELEPHONE:** 865 (GIN 3913) 5327

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Default interest in relation to variable accounting periods

**STARTER NUMBER:** 31 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 3 lines |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** The amendment is required to ensure that default interest can be charged in relation to accounting periods of variable length, in particular annual return accounting.

**KEY POINTS:** Annual return accounting periods were introduced in July 1988 following provision in the FA 1987. Currently Section 18(4) FA 1985 provides only for accounting periods which do not exceed 3 months.

**OFFICIAL IN LEAD:** A FERGUSON **TELEPHONE:** 0702-36 (GTN 3019) 7088

**OFFICIAL IN SUPPORT:** R M PORTER **TELEPHONE:** 0702-36 (GTN 3019) 7097

**FP CONTACT:** R C 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Revalorisation of registration and deregistration thresholds

**STARTER NUMBER:** 32 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | S I (assuming no increase in real terms) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** 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 £23,600 to about £25,100 in the 1990 Budget to maintain its real value at the 1973 level. The deregistration threshold will be increased by the same amount from £22,600 to about £24,100

**KEY POINTS:** Commission accept UK right to index threshold, but not the baseline we use, and have for some time been threatening infraction proceedings. Draft Directive on Small and Medium Sized Enterprises would allow threshold of 35,000 ECU (=£22,960). Action in Brussels in abeyance and developments before Budget unlikely.

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

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** W HOGGETT **TELEPHONE:** 0702-36 (GIN 3019) 7127

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Simplification of registration requirements

**STARTER NUMBER:** 33 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| | | Neg | Neg | 1 page and 37 lines |
| -20 to 30 | -50 to 70 (Subject to further work) | | | |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** 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 £8,000; or in the four quarters then ended has exceeded £23,600; or at any time if there are reasonable grounds for believing that the value of taxable supplies in the coming year will exceed £23,600.

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 £23,600.

This proposal was Starter No 35 for the 1989 Budget, and was a late withdrawal.

**KEY POINTS:** 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 32). 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.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** W HOGGETT **TELEPHONE:** 0702-36 (GIN 3019) 7127

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Change in maximum rate of default surcharge

**STARTER NUMBER:** 34 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| -15 | -20 | | Nil | Nil | 10 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Reduction of the maximum rate of default sucharge to 20%.

**KEY POINTS:** The present maximum rate of surcharge of 30% has proved to have little effect on persistent non-compliance. In the course of the review of default surcharge we received a number of criticisms of this high rate and it is clear that a large proportion of those taxpayers who are surcharged at 30% are unable to pay the tax on time irrespective of the penalty. If approved this measure would help many small businesses adversely affected by the surcharge.

This proposal was put forward for the 1989 Finance Bill as starter no. 38 but was dropped at a late stage.

**OFFICIAL IN LEAD:** R D GODDARD **TELEPHONE:** 0702-36 (GIN 3019) 7105

**OFFICIAL IN SUPPORT:** B J MAULT **TELEPHONE:** 0702-36 (GIN 3019) 7124

**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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Bad debt relief

**STARTER NUMBER:** 35 **CLASSIFICATION:** B.2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| -50 | -150 | | +20 | +20 | 1 page and 37 lines (already drafted for 1989 budget) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To implement the recommendations of a review of existing arrangements for relief from VAT on bad debts.

**KEY POINTS:** Allows relief from VAT on any debt which is more than 18 months old and which has been written off in the trader's accounts; provides for repayment of all or part of relief claimed where debt is subsequently paid in whole or part. Would be very much welcomed by the trade.

Was put forward for the 1989 finance Bill as starter no 37 but was dropped at a late stage.

**OFFICIAL IN LEAD:** A F CROSS-RUDKIN **TELEPHONE:** 051-922 6396 (GIN 4138) ext 245

**OFFICIAL IN SUPPORT:** M L GRIBBIN **TELEPHONE:** 051-922 6396 (GIN 4138) ext 252

**FP CONTACT:** R C 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Self supply for leased vehicles converted into motor cars

**STARTER NUMBER:** 36 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 4/5 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To prevent possible VAT avoidance, and ensure all motor cars used by businesses receive equal treatment, by giving power to create a VAT self-supply when a leased vehicle is converted into a motor car.

**KEY POINTS:** The intention of current legislation (VAT (Cars) Order 1980) is that VAT on motor cars used in a business is not recoverable as input tax. There is a loophole in the case of vehicles (non-cars) owned by leasing companies which are subsequently converted into motor cars. Section 3(5) of the VAT Act provides the vires for the Order and needs to be amended before the Order can be corrected. The estimate of length of legislation is a best guess.

**OFFICIAL IN LEAD:** I WALTON **TELEPHONE:** 865 (GTN 3913) 5295

**OFFICIAL IN SUPPORT:** G J ELANDER **TELEPHONE:** 865 (GTN 3913) 5313

**FP CONTACT:** R 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.

fp.nh/ks/109

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE: VAT : Input tax on domestic accommodation**

**STARTER NUMBER: 37** **CLASSIFICATION: C**

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +7 to 12 | +15 to 25 | | NIL | NIL | 9/10 lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | Yes |

**ORIGIN OF STARTER: Customs**

**PURPOSE OF STARTER:** To amend section 14(3) of VAT Act 1983 specifically to exclude from the definition of "input tax" the tax on goods and services which relate to the provision of accommodation provided by businesses for private and domestic use.

**KEY POINTS:** Recent Tribunal and Court decisions have allowed businesses to recover input tax on repairs, refurbishments etc of domestic accommodaation provided free of charge to employees and directors. This was not the intention of the legislation. This clarificatory amendment would put an end to tax avoidance and the present inequity of treatment in this area.

**OFFICIAL IN LEAD: I WALTON** **TELEPHONE 865 (GTN 3913) 5295**

**OFFICIAL IN SUPPORT: G J ELANDER** **TELEPHONE 865 (GTN 3913) 5313**

**FP CONTACT: R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE: VAT:** Treatment for VAT purposes of excise manufacturing premises

**STARTER NUMBER:** 38 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 10 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** i. To remove lacunae which prevent collection of VAT on the value of the relevant duty when goods are warehoused after a duty-free supply and are subsequently diverted to home use (either regularly or irregularly).

ii. To provide equitable treatment of dutiable goods for VAT purposes between customs warehouses and excise registered premises.

**KEY POINTS:** Unlikely to be controversial. Affords similar treatment to duty-free supplies as to other supplies and puts treatment of excise manufacturing premises on same footing as customs warehouses.

**OFFICAL IN LEAD:** B J COCKERELL **TELEPHONE** 865(GIN 3913) 5319

**OFFICIAL IN SUPPORT:** M C GREEN **TELEPHONE** 865(GIN 3913) 5320

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** VAT: Treatment of beer ex warehouse

**STARTER NUMBER:** 39 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 10 lines (guesstimate) |

**Minister in lead** PMG

**PCTA or equivalent resolution required** Yes

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To apply Section 35 of VAT Act to beer in order to remove a lacuna which prevents collection of VAT on the value of the relevant drawback which is repayable when beer is warehoused, sold at a duty-free price and subsequently irregularly diverted to home use.

**KEY POINTS:** Unlikely to be controversial; puts treatment of beer ex warehouse on same footing as other products.

**OFFICIAL IN LEAD:** B J COCKERELL **TELEPHONE:** 865(GIN 3913) 5319

**OFFICIAL IN SUPPORT:** M C GREEN **TELEPHONE:** 865(GIN 3913) 5320

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** CAR TAX: Relief for cars used for research and development

**STARTER NUMBER:** 40 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | Up to 20 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To replace an extra statutory concession by legislation to allow relief from car tax on cars either made, purchased or imported by a person registered for car tax, provided that Customs and Excise are satisfied that the cars are used for research and development purposes by that registered person.

**KEY POINTS:** Legislation already provides VAT relief in these circumstances.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** F J DOBINSON **TELEPHONE:** 0702-36 (GIN 3019) 6996

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** CAR TAX - Chargeability of unregistered imported vehicles

**STARTER NUMBER:** 41 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full Year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg | Neg | Nil | Nil | Up to 15 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | Yes |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** Under Section 1(1)(a) of the Car Tax Act 1983 the tax is charged only where a registered person makes or registers a chargeable vehicle in the United Kingdom. If a registered person imports such a vehicle and it is used either for purposes which do not require registration or illegally without being registered in the UK no charge to car tax arises.

A small amendment to existing legislation would eliminate the unfair competitive advantage which imported vehicles would have over UK manufactured ones and prevent tax avoidance.

**KEY POINTS:** Ford Motor Co are known to be considering supplying vehicles in this way to British Airports Authority. BAA need not register the vehicles unless they are used on public roads.

**OFFICIAL IN LEAD:** C J HOLLOWAY **TELEPHONE:** 0702-36 (GIN 3019) 7914

**OFFICIAL IN SUPPORT:** F J DOBINSON **TELEPHONE:** 0702-36 (GIN 3019) 6996

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE: 13 OCTOBER 1989**

**TITLE:** VAT: Adjustment of input tax on capital goods

**STARTER NUMBER:** 42 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of* Legislation |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | By Order |

**Minister in lead** PMG

**PCTA or equivalent resolution required** No

**ORIGIN OF STARTER:** MINISTERS

**PURPOSE OF STARTER:** Ministers have stated publicly their intention to introduce a measure from 1 April 1990 to implement a mandatory requirement of the EC Sixth VAT Directive covering adjustment of input tax deduction on capital goods by partly exempt businesses. Adjustments will be necessary where the use to which capital goods are put changes over the subsequent 5 years (or 10 in the case of immovable property).

**KEY POINTS:** A Consultation exercise with interested bodies was concluded in August 1988 and draft regulations were exposed in May 1989. Regulations are to be laid before Parliament by the end of November 1989.

The change is not expected to be controversial: a small additional record keeping burden will fall on approximately 7,000 mainly large businesses.

**OFFICIAL IN LEAD:** I WALTON **TELEPHONE:** 865 (GIN 3913) 5295

**OFFICIAL IN SUPPORT:** A CARRUTHERS **TELEPHONE:** 865 (GIN 3913) 5351

**FP CONTACT:** R 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.

fp.nh/ks/110

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE: VAT : Ex gratia interest payments arising from test cases**

**STARTER NUMBER: 43** **CLASSIFICATION: C**

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -20 | -20 | -20 | - | - | 24 lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER: Customs**

**PURPOSE OF STARTER:** Provision to enable payment out of revenue rather than Vote of ex gratia payments of interest on repayments of VAT or duty to persons affected by the decision in a test case.

**KEY POINTS:** Treasury Solicitor is curently being approached by Treasury officials as to whether further legislative provision is required for such payments. Revenue cost, estimated on current year, would be offset by a reduction in Vote.

**OFFICIAL IN LEAD: M J ELAND** **TELEPHONE 865 (GTN 3913) 5431**

**OFFICIAL IN SUPPORT: R W MACLACHLAN** **TELEPHONE 865 (GTN 3913) 5433**

**FP CONTACT: R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Extension of periodic entry schemes.

**STARTER NUMBER:** 60 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effect* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Nil | Nil | | Nil | Nil | 10 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To permit forwarding agents to operate as authorised traders under the Simplified Period Entry Scheme. CEMA 37A currently only refers to importers. It is proposed to extend CEMA 37, 37A, 37B and 37C to include forwarding agents. The scheme provides faster clearance of EC goods by replacing individual declarations for each import with period declarations on a schedule.

**KEY POINTS:** This proposal will extend the facilitation of Community import clearance in the lead up to the creation of the Single Market in 1993 and is not controversial.

**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) - 4466

**OFFICIAL IN SUPPORT:** K MARSHALL **TELEPHONE:** 865 (GIN 3913) - 4435

**FP CONTACT:** R 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.

Can we get this
this the Treas.?

Who is this
speaking?
Terry Painter

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Carriage of exports on a coastwise Ship

**STARTER NUMBER:** 61 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 4-5 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To permit goods cleared for export to be carried on a coastwise ship. Customs and Excise Management Act (CEMA) 69(2) currently debars this; CEMA 70(2) allows a derogation in similar circumstances for import traffic subject to Commissioners' conditions. It is proposed to extend 70(2) to cover export traffic

**KEY POINTS:** The proposal would remove a constraint on trade and is not controversial.

**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) 4466

**OFFICIAL IN SUPPORT:** H LAIRD **TELEPHONE:** 865 (GIN 3913) 4354

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Extension of provisions for clearance of goods inland

**STARTER NUMBER:** 62 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 20 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER AND KEY POINTS:** The Customs & Excise Management Act Section 31(i) allows one movement inland to an approved place in the case of imported goods or one movement to place of export for exported goods. It is felt desirable, particularly with the extension of Local Import Control (LIC) and Local Export Control (LEC) to freight forwarders in the build-up to 1992, to allow greater number of movements.

**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) 4466

**OFFICIAL IN SUPPORT:** D KESBY **TELEPHONE:** 865 (GIN 3913) 4244

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Unauthorised removal of goooods

**STARTER NUMBER:** 63 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 2-3 lines |

| Minister in lead | PMG | PCTA or equivalent resolution required | No |
|---|---|---|---|

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To amend Section 42 Customs and Excise Management Act so that action can be taken against the person who caused goods to be removed without authority.

**KEY POINTS:**

1. Regulations made under S42 cover the unloading and removal of imported goods.

2. If goods are removed without authority, action can only be taken against the person who actually removed the goods, a person who caused the removal to take place cannot be penalised.

3. This aspect will become more important with the continuing move from physical to audit based control.

4. Not expected to be controversial.

**OFFICIAL IN LEAD:** A KILLIKELLY **TELEPHONE:** 865 (GIN 3913) 4574

**OFFICIAL IN SUPPORT:** R D W LIVINGSTONE **TELEPHONE:** 865 (GIN 3913) 4591

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE:** 28 September 1989

**TITLE:** Penalties for illegal export of dutiable or restricted goods

**STARTER NUMBER:** 64 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | 15 lines |

| | | | |
|---|---|---|---|
| **Minister in lead** | PMG | **PCTA or equivalent resolution required** | No |

**ORIGIN OF STARTER:** CUSTOMS

**PURPOSE OF STARTER:** To extend penalties available under Customs and Excise Management Act (CEMA) 53(10) in respect of the illegal shipment before entry of non-dutiable and non-restricted goods to include dutiable or restricted goods as well. This proposal should not be controversial.

**KEY POINTS:** Currently, a penalty of £1,000 is applicable to non-dutiable and non-restricted goods whereas dutiable and restricted goods, under CEMA 53(8), are only liable to forfeiture. This is ineffective when the ship has sailed and disadvantages other traffic when goods are overstowed.


**OFFICIAL IN LEAD:** M PEACH **TELEPHONE:** 865 (GIN 3913) - 4466

**OFFICIAL IN SUPPORT:** K MARSHALL **TELEPHONE:** 865 (GIN 3913) - 4354

**FP CONTACT:** R 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.

fp.pk/division/23.10.01

**CONFIDENTIAL**

**FROM:** K SEDGWICK (FP)
**DATE:** 23 October 1989
**EXTN:** 5169

**PS/FINANCIAL SECRETARY**

cc: PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Matthews
Mr Macpherson
Miss Hay
Miss Gaseltine
Mrs Chaplin
Mr Tyrie
Mr Lightfoot

PS/IR
Mr Isaac - IR
Mr Painter - IR
Mr Beighton - IR
Mr G Bush - IR
Mr Shaw - IR

PS/C&E
Mr Jefferson Smith - C&E*
Mr Parker - C&E*
Mr Collins - C&E*

Mr Jenkins - Parly Counsel

* summary sheets only

**1990 FINANCE BILL STARTERS**

Further to your minute of 18 October I attach a reference sheet and summary sheet for the new starter, no. 208 - BES: "Locality Rule".

2. I would also be grateful if you would renumber starters 454A and 454B to 454 and 455 respectively.

3. An updated set of summary sheets will be circulated on Friday 27 October.

**K SEDGWICK**
**Fiscal policy Group**

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Business Expansion Scheme: "Locality Rule"

**STARTER NUMBER:** 208 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Proposal from Johnson Fry

**PURPOSE OF STARTER:** To review need for locality rule when valuing dwellings to be let on assured tenancies under the BES.

**KEY POINTS:**

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | B A Mace | **TELEPHONE:** | 3541 6442 |
| **OFFICIAL IN SUPPORT:** | Ms B St Quinton | **TELEPHONE:** | 3541 6390 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTERS: SUMMARY SHEETS**
**INLAND REVENUE**

**Date:** 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **No** | **Description** | **Status** | **Date of main submission** | **Revenue £m Cost(-)/Yield(+) 1990/91** | **1991/92** | **Staff Effects 1/4/91** | **1/4/92** | **Legislation Length in Pages & Lines** | **Date of Inst. to Counsel** | **Other Comments** |
| 208 | Business Expansion Scheme: "Locality Rule" | NSM | | Neg | Neg | Neg | Neg | N/K | - | |

fp.nh/rm/115

CONFIDENTIAL

FROM: R G MICHIE (FP)
DATE: 18 OCTOBER 1989
x 4922

MRS THORPE

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Mr Culpin
Mr Gilhooly
Mr Sedgwick

**BUDGET STARTERS: MEETINGS**

The following meetings have been fixed for a first run through the minor starters:

(i) 24 October to discuss Custom starters; class list: PMG; Jefferson-Smith, Parker and Warr all Customs; Michie FP;

(ii) 2 November to discuss Transport starters; class list: PMG; Michie FP; Oliver Transport;

(iii) 6th or 7th November to discuss Revenue starters; FST; remainder of class list still to be determined.

2. I have spoken with Mr Taylor and we have agreed that the Chancellor may wish to have an early meeting to see how the minor starters are shaping up and to take colleague's views on how things ought to be progressed. There is an ECOFIN meeting on 13 November, and this points towards a minor starters meeting for later that week or early the following week. Could you confirm that the Chancellor is content to proceed on this basis and make the necessary arrangements please? Possible class list:

Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton )
Mr Scholar ) Treasury
Mr Riley )
Mr Gilhooly )

| | | |
|---|---|---|
| Mr Jefferson-Smith | ) | |
| Mr Wilmott | ) | Customs |
| Mr Parker | ) | |
| | | |
| Mr Isaacs | ) | |
| Mr Painter | ) | Revenue |
| Mr Beighton | ) | |
| Mr Bush | ) | |

3. FP will provide an annotated agenda.

4. Please give me a call if you run into any difficulties.

R G MICHIE

37/2 sjf.jf.1.18.10.89 **CONFIDENTIAL**

FROM: S J FLANAGAN
DATE: 18 October 1989
Ext: 4340

MR K SEDGWICK (FP)

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Matthews
Miss Hay
Mr Macpherson
Mr Michie
Miss Gaseltine
Mrs Chaplin
Mr Tyrie
Mr Lightfoot

PS/IR
Mr Isaac - IR
Mr Painter - IR
Mr Beighton - IR
Mr G Bush - IR
Mr Shaw

PS/C&E
Mr Jefferson Smith - C+E
Mr Parker - C+E
Mr Collins - C+E

Mr Jenkins - OPC

**1990 FINANCE BILL STARTERS**

The Financial Secretary was grateful for your minute (and extensive attachments) of 13 October. This office will be organising a minor starters meeting shortly.

2. Of the discards, the only one the Financial Secretary would want to reinstate would be the BES "locality rule". He would also like serious consideration to be given to Mr Patten's proposal for tax relief for lodgers (Mr Patten to the Chancellor, 5 October).

3. The Financial Secretary has also asked why there is a 454A and a 454B. Should these not be 454 and 455 (especially as they deal with different taxes)?

**S J FLANAGAN**
**Private Secretary**

fp.nh/ks/112

**FROM: K SEDGWICK (FP)**
**DATE: 16 October 1989**
**x 5169**

**PS/FINANCIAL SECRETARY**

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Matthews
Mr Michie
Mr Macpherson
Miss Hay
Miss Gaseltine
Mrs Chaplin
Mr Tyrie
Mr Lightfoot

PS/IR
Mr Isaac - IR
Mr Painter - IR
Mr Beighton - IR
Mr G Bush - IR
Mr Shaw - IR

PS/C&E
Mr Jefferson Smith - C&E
Mr Parker - C&E
Mr Collins - C&E

Mr Jenkins - Parly Counsel

**1990 FINANCE BILL STARTERS**

I would be grateful if you would delete Treasury starter 650, which is a duplicate of IR starter 206, from the list circulated on Friday 13 October.

2. This leaves 2 Treasury starters, and an overall total of 92.

**K SEDGWICK**
**Fiscal Policy Division**

chex.jp/jmt1/36

CONFIDENTIAL

FROM: J M G TAYLOR
DATE: 16 OCTOBER 1989

PS/PAYMASTER GENERAL

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Mr Gilhooly
Mr Michie
Mr Call

Mr Unwin - C&E
Mr Jefferson Smith - C&E
Mr Wilmott - C&E
Mr W L Parker - C&E
Mr Gaw - C&E

**FINANCE BILL 1990 - STARTER NO 3: ABOLITION OF MATCH AND MECHANICAL LIGHTER DUTIES**

The Chancellor has seen Mr Gaw's note of 11 October.

2. He agrees that this now needs to be seen as part of an overall EC indirect tax package - should there be one.

J M G TAYLOR

UNCLASSIFIED

fp.nh/ks/104

COPY NO 2 OF 31 COPIES

COVERING
SECRET

FROM: K SEDGWICK (FP)
DATE: 13 October 1989
x 5169

PWP

I have kept the long summary + reference sheets.

1. MISS HAY
2. MR GILHOOLY
3. MR CULPIN
4. FINANCIAL SECRETARY

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Scholar
Mr Matthews
Mr Michie
Mr Macpherson
Miss Gaseltine
Mrs Chaplin
Mr Tyrie
Mr Lighttoot

PS/IR *
Mr Isaac - IR*
Mr Painter - IR*
Mr Beighton - IR*
Mr G Bush - IR*
Mr Shaw - IR*

PS/C&E *
Mr Jefferson Smith - C&E*
Mr Parker - C&E*
Mr Collins - C&E*

Mr Jenkins - Parly Counsel

* excl. reference sheets and "discards"

It would be helpful if you could start to go through the starters & discards as soon as poss. The Chancellor normally has a meeting with NB to take stock in early Nov.

RC 13/10

**1990 FINANCE BILL STARTERS**

I attach the first edition of the Starters list for the 1990 Finance Bill, including:

(a) an index of the starters by Department;

(b) summary sheets listing the starters in numerical order with basic information on revenue and staff effects which will be revised and updated as necessary;

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

2. The summary sheets will be revised and circulated fortnightly.

**Number of Starter**

3. There are currently 93 (114) starters; 46 (69) originating from the Inland Revenue; 28 (26) from Customs; 16 (14) from Department of Transport and 3 (5) 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 one of the following categories:

NSM - A first submission not yet sent to Ministers
USM - Under consideration by Ministers
I - Included
I* - Included (provisionally)
D - Dropped
D* - Dropped (provisionally)

Decisions have already been taken to definitely include 1 of the starters in the 1990 Bill and a further 5 have been provisionally included.

**Submissions to Ministers/Instructions to Counsel**

5. The current state of play is:

| | IR | C&E | Transport | Treasury | Total |
|---|---|---|---|---|---|
| No of starters | 46 | 28 | 16 | 3 | 93 |
| Instructions to Counsel | 5 | 6 | 0 | 0 | 11 |
| At least one submissions to Ministers | 15 | 4 | 12 | 0 | 31 |

6. Consistent with the decision at the Chancellor's meeting before the summer recess, the Inland Revenue have tried to keep their starters list as slim as possible. As Mr Isaac forewarned in his minute to you of 6 October a number of items in areas that have featured pretty consistently in recent Finance Bills have been relegated to the attached 'discard' list. You will therefore want to look at the 'discard' list, perhaps just as critically as the starters list, to make sure that there is nothing that you wish to add back. Mr Shaw of the Inland Revenue will arrange for further notes on any of the 'discards' if you wish.

7. There are 46 Revenue starters in all, of which 8 are conjunctural items and 12 have been carried over from 1989. Of the remainder, over half are "internal" starters put forward by Ministers or officials and the rest are "external" suggestions.

8. Customs and Excise have written to the Paymaster General today with further details of their starters and the Secretary of State for Transport should shortly be writing likewise to the Chancellor.

**Length of Finance Bill**

9. The Chancellor's intention is that the 1990 Finance Bill should be considerably shorter than the 1989 Bill. At this stage it is not possible to give a reliable assessment of the length of the Bill. The length shown for individual measures on the summary sheets are only estimates and in some cases no estimate is possible. The reference sheets show an estimate of the maximum length of legislation envisaged.

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 Chancellor's objective of a relatively short bill is to be met, Ministers may need to be fairly stringent 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. FP will be in touch with private offices shortly to arrange meetings with officials to review minor starters.

K SEDGWICK
Fiscal Policy Division

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
CUSTOMS & EXCISE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 1 | Excise: Duty rates | NSM | | +1210 | +1325 | Nil | Nil | 14P | - | 1990-91 revenue yield based on revalorisation of 6.5%. 1991-92 based on Autumn Statement methodology. 12P require for VED purposes. |
| 2 | Excise: Abolition of gas oil and fuel oil duties | NSM | | - 200 | - 210 | -5 | -5 | 01P | 15/09/89 | |
| 3 | Excise: Abolition of match and mechanical lighter duties | UCM | 11/10/89 | - 20 | - 20 | -8 | -8 | 37L | 06/09/89 | |
| 4 | Excise:Restructuring of Gaming Licence Duty | NSM | | Depends on decisions | | Nil | Nil | 02P | - | |
| 5 | Excise: Repayment arrangements for surrendered gaming machine licences | NSM | | Neg | Neg | Nil | Nil | 24L | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
CUSTOMS & EXCISE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 6 | Excise:Abolition of administrative requirements for Pool Betting Duty | NSM | | Nil | Nil | Nil | Nil | 24L | 15/9/89 | |
| 7 | Excise: Definition of methylated spirits | NSM | | Nil | Nil | Nil | Nil | 09L | 31/08/89 | |
| 8 | Excise: Removal of requirement to age spirits | NSM | | Nil | Nil | Neg | Neg | 17L | 08/09/89 | Consideration introduction by Order |
| 9 | Excise: Houses provided by distillers for official staff | UCM | 11/10/89 | Nil | Nil | Nil | Nil | 04L | 31/08/89 | |
| 30 | VAT: Stores for private boats and aircraft | I* | 11/09/89 | +5 | +5 | Neg | Neg | 05L | - | |
| 31 | VAT:Default interest in relation to variable accounting periods | NSM | | Neg | Neg | Nil | Nil | 03L | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
CUSTOMS & EXCISE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 32 | VAT: Revalorisation of registration and deregistration thresholds | NSM | | Neg | Neg | Nil | Nil | 00P 00L | - | By Statuory instrument assuming no increase in real terms |
| 33 | VAT: Simplification of registration requirements | NSM | | -20 to 30 | -50 to 70* | Neg | Neg | 01P 37L | - | *Revenue figures subject to further adjustment. |
| 34 | VAT: Change in maximum rate of default surcharge | NSM | | -15 | -20 | Nil | Nil | 10L | - | |
| 35 | VAT: Bad debt relief | NSM | | -50 | -150 | +20 | +20 | 01P 37L | - | |
| 36 | VAT:Self-supply for leased vehicles converted into motor cars | NSM | | Neg | Neg | Nil | Nil | 05L | - | |
| 37 | VAT: Input tax on domestic accommodation | NSM | | +7 to 12 | +15 to 25 | Nil | Nil | 10L | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
CUSTOMS & EXCISE

Date: 13/10/89

| 1 No | 2 Description | 3 Status | 4 Date of main submission | 5 Revenue £m cost(-)/yield(+) 1990/91 | 6 1991/92 | 7 Staff Effect 1/4/91 | 8 1/4/92 | 9 Legislation Length in Pages & Lines | 10 Date of Inst. to Counsel | 11 Other comments |
|---|---|---|---|---|---|---|---|---|---|---|
| 38 | VAT: Treatment for VAT purposes of excise manufacturing premises | NSM | | Neg | Neg | Neg | Neg | 10L | - | |
| 39 | VAT: Treatment of beer ex warehouse | NSM | | Neg | Neg | Neg | Neg | 10L | - | |
| 40 | Car Tax: Relief for cars used for rese-arch and development | NSM | | Nil | Nil | Nil | Nil | 20L | - | |
| 41 | Car Tax:Chargabil-ity of unregistered imported vehicles | NSM | | Neg | Neg | Nil | Nil | 15L | - | |
| 42 | VAT: Adjustment of input tax on capital goods | I* | | Neg | Neg | Nil | Nil | | N/A | By Order |
| 43 | VAT:Ex gratia interest payments arising from test cases | NSM | | -20 | -20 | Nil | Nil | 24L | - | |
| 60 | Extension of period-ic entry schemes | NSM | | Nil | Nil | Nil | Nil | 10L | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
CUSTOMS & EXCISE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 61 | Carriage of exports on a coastwise ship | NSM | | Nil | Nil | Nil | Nil | 05L | - | |
| 62 | Extension of provisions for clearance of goods inland | NSM | | Nil | Nil | Nil | Nil | 20L | - | |
| 63 | Unauthorised removal of goods | NSM | | Nil | Nil | Nil | Nil | 03L | - | |
| 64 | Penalties for illegal export of dutiable or restricted goods | NSM | | Nil | Nil | Nil | Nil | 05L | - | |

SECRET

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 100 | Income tax allowances, basic rate limit and rates | NSM | | Depends on decisions | | Depends on decisions | | 00P 30L | - | Length of legislation: 2/3 page. |
| 101 | Benefits in kind: car and car fuel scales | UCM | | Depends on decisions | | Likely to be small | | 01P 23L | - | Length of legislation: about 1 1/2 pages. |
| 102 | Schedule E Expenses: Car Mileage Allowance | UCM | | Depends on decisions (options range from small yield up to £150m) | | Depends on decisions (all options have significant transitional costs (up to +300 for 1990-91). Range from -100 to +200 beyond there.) | | 03P 00L | - | Length of legislation: depends on decisions but could be up to 3 pages. |
| 103 | Schedule E expenses: Training | NSM | | Full year cost up to £40m (before any behavioural response) | | N/K | N/K | 01P 23L | - | Length of legislation: up to 1 1/2 pages. |

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 104 | Benefits in kind: beneficial loans | NSM | | Small cost | | Depends on decisions - likely to be small | | 01P 00L | - | Length of legislation: depends on decisions but could be about 1 page. |
| 105 | Schedule E: receipts basis | NSM | | Probably small cost | | Probably small cost | | 02P 23L | - | Length of legislation: 2 to 3 pages. |
| 106 | Mortgage Interest Relief limit for 1990-91 | NSM | | Nil | Nil | Neg | Neg | 00P 03L | - | |
| 150 | Small Repayment Claims | UCM | 23/06/89 | Depends on decisions | | Potentially very large staff cost if no solution can be found. | | N/K | - | Length of legislation: depends on decisions. |
| 151 | Pensions: technical changes | NSM | | Nil | Nil | Small staff saving | | 00P 30L | 01/08/89PT | Length of legislation: 2/3 page (plus possible additions). |

SECRET

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 152 | SAYE | I* | 24/02/89 | Neg | Neg | Nil | Nil | 01P 00L | - | Length of legislation: up to 1 page. |
| 153 | Encouragement for savings | NSM | | Depends on decisions | | Depends on decisions | | N/K | - | Length of legislation: depends on decisions. |
| 154 | Convertible and index linked bonds | NSM | | Neg | Neg | Neg | Neg | 03P 00L | - | Consultation to precede legislation. |
| 200 | Main CT Rate for Financial Year 1990 | NSM | | cost/yield of 1% change Neg | 440 | Nil | Nil | 00P 02L | - | Submission in January. Full year effect of 1% change: £630m. |
| 201 | Small Companies Rate of CT for Financial Year 1990 | NSM | | cost/yield of 1% change: Neg | 35 | Nil | Nil | 00P 02L | - | Submission in January. Full year effect of 1% change: £50m. |
| 202 | Capital Allowances and VAT | NSM | | Neg | Neg | Neg | Neg | N/K | - | |

SECRET

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 203 | Relief for nuclear decommissioning | UCM | | Depends on decisions | | Neg | Neg | N/K | - | |
| 204 | Trading losses and capital gains | NSM | | Nil | -35 | +10 to 20 | | 01P 00L | - | Length of legislation: at least 1 page. Full year cost: £50m in first full year, £15m per year in long run. |
| 205 | Unit and investment trusts | NSM | | Depends on decisions | | Depends on decisions, could be small staff cost | | 20P 00L | - | Length of legislation: depends on decisions but could be up to 20 pages. |
| 206 | Building societies | NSM | | Neg | Neg | Depends on decisions and behavioural effects. | | 05P 00L | - | Length of legislation: up to 5 pages. |

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 207 | Life Assurance: Second Stage Measures | NSM | | +15 | +50 | Nil | -10 | 17P 23L | 12/09/89PT | Length of legislation: 15 to 20 pages. |
| 250 | CGT: annual exempt amount | NSM | | Forecasts assume revalorisation. Extra yield if no revalorisation: Nil | +10 | Nil assuming revalorisation. If not revalorised: +15 | +30 | 00P 04L | - | Legislation needed only if limit not revalorised. Full year yield if no revalorisation: £15m. |
| 251 | CGT: convertible bonds | NSM | | In medium term tax at risk if no action taken might be up to £40m; could be more in long term. | | Neg | Neg | 01P 00L | - | |
| 252 | Capital gains: capital loss buying | NSM | | Risk of tax loss of over £100m a year if no action. | | Neg | Neg | 05P 00L | - | Length of legislation depends on decisions - but probably not less than 5 pages. |

SECRET

**BUDGET STARTERS: SUMMARY SHEETS** Date: 13/10/89

**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 253 | CGT: redemptions and reductions of share capital | NSM | | In medium to long term tax at risk could run to several hundred millions. | | Neg | Neg | 03P 00L | - | Length of legislation: about 3 pages. |
| 254 | CGT: non-residents: conversion of UK branch into UK incorporated subsidiary | NSM | | Nil | Neg | Neg | Neg | 03P 00L | - | Length of legislation depends on decisions - could be 3 pages. |
| 255 | IHT: threshold and rate | NSM | | -30 | -65 | Indexation alone will reduce the workload marginally (by 6%) and the staff needs | | 00P 23L | - | 1/2 page of legislation needed only if no automatic indexation. Costs shown reflect the effect of autiomatic indexation and are already assumed in the forecast. |

SECRET

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 256 | IHT: Abolition of nil rate | UCM | | Nil | Nil | Nil | Nil | 04P 00L | - | This is an outstanding remit from FB89. Length of legislation: at least 4 pages, probably more. |
| 257 | IHT: Instruments of variation | UCM | | Depends on decisions | | Depends on decisions | | N/K | - | Length of legislation: depends on decisions. |
| 258 | IHT: partly exempt transfers | NSM | | Up to £40m per year potentially at risk. | | Nil | Nil | 00P 23L | - | Length of legislation: 1/2 page. |

SECRET

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 259 | IHT: interests in possession | NSM | | i Neg | Neg | Nil | Nil | 00P 23L | - | Length of legislation: 1/2 page. Full year yield is £5m to £10m, possibly more. |
| | | | | ii N/K | N/K | Nil | Nil | 00P 23L | - | Length of legislation: 1/2 page. |
| 260 | IHT: Heritage Maintenance Funds | NSM | | Unquantifiable - likely to be small | | Nil | Nil | 01P 00L | - | Length of legislation: perhaps 1 page. |
| 300 | Stamp Duty: rates and threshold | NSM | | Depends on decisions | | Depends on decisions | | N/K | - | Length of legislation: depends on decisions. |
| 301 | Stamp Duty and SDRT on shares: TAURUS | UCM | | Neg | Neg | +10 | +10 | 07P 23L | - | Length of legislation: 5 to 10 pages. |

SECRET

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 350 | Oil abandonment: PRT/CT reliefs | I* | 01/08/89 | Neg | Neg | Nil | Nil | 12P 23L | - | Length of legislation: 10 to 15 pages. |
| 351 | Oil abandonment: capital losses | I* | 01/08/89 | Neg | Neg | Nil | Nil | 01P 23L | - | Length of legislation: 1 to 2 pages. |
| 352 | PRT: Keith related issues | NSM | | +30 | | Nil | Nil | 01P 00L | - | |
| 400 | EEIGs | I | 15/11/88 | Neg | Neg | Neg | Neg | 03P 23L | 08/09/89 | Commitment to legislate in FB90 announced by WA 13/4/89. Length of legislation: 3 to 4 pages. |
| 401 | Thin capitalisation | UCM | 21/07/89 | Substantial revenue at risk - in region of £100m a year - if no action taken | | Neg | Neg | 10P 00L | 28/07/89 | Length of legislation: depends on decisions but could be up to 10 pages. |

SECRET

**BUDGET STARTERS: SUMMARY SHEETS** **Date:** 13/10/89
**INLAND REVENUE**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 402 | Sovereign Immunity | NSM | | Possibly +100 if most radical option adopted. | | Neg | Neg | 03P 00L | - | Length of legislation: possibly 3 pages but highly uncertain. |
| 403 | Dual resident companies: avoidance through Double Taxation treaties | NSM | | Prevents potentially substantial loss of tax | | Neg | Neg | 02P 00L | 21/08/89PT | Instructions sent on CGT aspects. |
| 404 | Non-resident trusts | NSM | | Could build up to a significant yield | | Unlikely to be significant | | 03P 00L | - | Length of legislation: up to 3 pages. |
| 450 | Post-consolidation amendments: A - ICTA 1988; B - Capital Allowances. | NSM | | Depends on decisions but should be very small. | | Neg | Neg | 05P 00L | - | Length of legislation: uncertain but could be 5 pages. |
| 451 | Claims under Pay and File | UCM | | Neg | Neg | Nil | Nil | 05P 00L | - | |

SECRET

BUDGET STARTERS: SUMMARY SHEETS
INLAND REVENUE

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m Cost(-)/Yield(+) 1990/91 | 1991/92 | Staff Effects 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other Comments |
| 452 | Assessing procedures and returns | UCM | | Neg | Neg | Cost neutral (larger numbers of staff but at lower grades) | | 03P 00L | - | |
| 453 | Appeal Commissioners | UCM | | Neg | Neg | Nil | Nil | 03P 00L | - | Length of legislation: between 1/2 and 6 pages (probably on the shorter side). |
| 454A | Stamp Duty and SDRT: electricity flotation | NSM | | Depends on details of electricity flotation | | Neg | Neg | 01P 23L | - | Length of legislation: 1 to 2 pages. |
| 454B | Employee priority in company flotations | NSM | | Neg | Neg | Nil | Nil | 01P 00L | - | Length of legislation: up to 1 page. |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
TRANSPORT:

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 600 | Tricycles to Private and Light Goods | UCM | | NEG | NEG | NIL | NIL | N/K | - | |
| 601 | Motor Cycles:One rate | UCM | | +20 | +22 | NIL | NIL | N/K | - | |
| 602 | Pedestrian Controlled Vehicles:remove from licensing and registration | UCM | | NEG | NEG | NIL | NIL | N/K | - | |
| 603 | Concession for vehicles over 25 years old | UCM | | NEG | NEG | NEG | NEG | N/K | - | |
| 604 | General Haulage Vehicles single rate | UCM | | NIL | NIL | NIL | NIL | N/K | - | |
| 605 | Rigid Goods Vehicles VED rate increases. Abolition of seperate rate of VED for showmens and farmers vehicles | UCM | | Opt.1 +110<br>Opt.2 +50<br>Opt.3 +20 | +110<br>+50<br>+20 | NEG | NEG | N/K | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS
TRANSPORT:

Date: 13/10/89

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 606 | Articulated Goods Vehicles:VED increases and decreases. Abolition of concessionary rates for farmers and showmens vehicles | UCM | | Revenue neutral | | NEG | NEG | N/K | - | |
| 607 | Farmers and showmen under 1525 ulw to PLG | UCM | | NEG | NEG | NIL | NIL | N/K | - | |
| 608 | Abolition of farmers and showmens rate for Goods Vehicles up to 12,000kgs gross weight | UCM | | NEG | NEG | NIL | NIL | N/K | - | |
| 609 | Restricted Heavy Goods Vehicles: Abolition of Farmers and Showmens concessionary rates | UCM | | NEG | NEG | NIL | NIL | N/K | - | |
| 610 | Plating and testing threshold change | UCM | | -3 | -6 | NIL | NIL | N/K | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS

Date: 13/10/89

TRANSPORT:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 611 | Trailer Duty:One rate.Abolition of farmers and showmens conceesion | UCM | | NEG | NEG | NEG | NEG | N/K | - | |
| 612 | Special Types:VED rate increase | NSM | | NEG | NEG | NIL | NIL | N/K | - | |
| 630 | Refund of Fees | NSM | | NIL | NIL | NIL | NIL | 4L | - | |
| 631 | Pre-consolidation amendments (inc the repeal of the NI Act 1972 and the extensi on of the 1971 Act to NI) | NSM | | -NEG | -NEG | NIL | NIL | N/K | - | |
| 632 | Voluntary buses for disabled people (definition of Ambul ance and New Welfare Vehicle for Taxation Classes | NSM | | -NEG | -NEG | NIL | NIL | 10L | - | |

CONFIDENTIAL

BUDGET STARTERS: SUMMARY SHEETS

Date: 13/10/89

TREASURY:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| No | Description | Status | Date of main submission | Revenue £m cost(-)/yield(+) 1990/91 | 1991/92 | Staff Effect 1/4/91 | 1/4/92 | Legislation Length in Pages & Lines | Date of Inst. to Counsel | Other comments |
| 650 | Taxation of Building Society Capital Shares | NSM | | N/K but small | | N/K (probably neg) | | 2P | - | |
| 651 | Disputes relating to stock on the national savings stock register in England and Wales | NSM | | N/A | N/A | N/A | | 1P | - | |
| 652 | National Weights and Measures Laboratory: Charging of fees for work in pursuance of community regulation | NSM | | NEG | NEG | NEG | NEG | 16L | - | |

fp.nh/ks/84

CONFIDENTIAL

Dated 13 October 1989

# 1990 BUDGET STARTERS INDEX

## CUSTOMS AND EXCISE

### EXCISE DUTIES

1. Duty Rates
2. Abolition of gas oil and fuel oil duties
3. Abolition of match and mechanical lighter duties
4. Restructuring of Gaming Licence Duty
5. Repayment arrangements for surrendered gaming machine licences
6. Abolition of administrative requirements for Pool Betting Duty
7. Definition of methylated spirits
8. Removal of requirement to age spirits
9. Houses provided by distillers for official staff

### VAT

30. Stores for private boats and aircraft
31. Default interest in relation to variable accounting periods
32. Revalorisation of registration and deregistration thresholds
33. Simplification of registration requirements
34. Change in maximum rate of default surcharge
35. Bad Debt Relief
36. Self-supply for leased vehicles converted into motor cars
37. Input tax on domestic accommodation
38. Treatment for VAT purposes of excise manufacturing premises
39. Treatment of beer ex warehouse
40. Car Tax: Relief for cars used for research and development
41. Car Tax: Chargeability of unregistered imported vehicles
42. Adjustment of input tax on capital goods
43. Ex gratia interest payments arising from test cases

### OTHER

60. Extension of periodic entry schemes

61. Carriage of exports on a coastwise ship

62. Extension of provisions for clearance of goods inland

63. Unauthorised removal of goods

64. Penalties for illegal export of dutiable or restricted goods.

fp.nh/ks/111

**SECRET**

**Dated 13 October 1989**

**INLAND REVENUE**

**INCOME TAX**

100 Income Tax Allowances, basic rate limit and rates

101 Benefits in Kind : car and car fuel scales

102 Schedule E Expenses : car mileage allowance

103 Schedule E Expenses : Training

104 Benefits in Kind : Beneficial loans

105 Schedule E : Receipts basis of assessment

106 Mortgage interest relief limit for 1990-91

**SAVINGS AND INVESTMENT**

150 Small repayment claims

151 Pensions : technical changes

152 SAYE

153 Encouragement for savings

154 Convertible and indexed linked bonds

**BUSINESS TAXATION**

200 Main CT rate for financial year 1990

201 Small companies CT rate for financial year 1990

202 Capital allowances and VAT

203 Relief for nuclear decommissioning

204 Trading losses and capital gains

205 Unit and investment trusts

206 Building Societies

207 Life assurance : second stage measures

**CAPITAL TAXES**

250 CGT : annual exempt amount

251 CGT : convertible bonds

252 Capital Gains : Capital loss buying

253 CGT : Redemptions and reductions of share capital

254 CGT : Non-Residents : Conversion of UK branch into UK incorporated subsidiary

255 IHT : Threshold and rate

256 IHT : Abolition of NIL rate

257 IHT : Instruments of variation

258 IHT : Partly exempt transfers

259 IHT : Interests in possession

260 IHT : Heritage maintenance funds

**STAMP DUTY**

300 Stamp Duty : Rates and Threshold

301 Stamp Duty and SDRT on shares : Taurus

**OIL TAXATION**

350 Oil Abandonment : PRT/CT reliefs

351 Oil Abandonment : Capital losses

252 PRT : Keith-Related issues

**INTERNATIONAL TAXATION**

400 Tax rules for European Economic Interest Groupings (EEIGs)

401 Thin capitalisation

402 Sovereign immunity

403 Dual resident Companies : Avoidance through DT treaties

404 Non-Resident Trusts

**MISCELLANEOUS**

450 Post-Consolidation Amendments : A - ICTA 1988
B - Capital Allowances

451 Claims under Pay and File

452 Assessing procedures and returns

453 Appeal Commissioners

454 Electricity privatisation consequentials : A - Stamp Duty
B - Employee Priority

fp.nh/ks/99

CONFIDENTIAL

Dated 13 October 1989

**DEPARTMENT OF TRANSPORT**

**VED**

600 Tricycles to private and light goods

601 Motor cyles : one rate

602 Pedestrian controlled vehicles - remove from licensing and registration

603 Concession for vehicles over 25 years old

604 General haulage vehicles single rate

605 Rigid goods vehicles : VED rate increases. Abolition of separate rate of VED for showmens and farmers vehicles

606 Articulated goods vehicles : VED increases and decreases. Abolition of concessionary rates for farmers and showmen's vehicles

607 Farmers and showmen under 1525 ulw to PLG

608 Abolition of farmers and showmen's rates for goods vehicles up to 12,000kgs gross weight

609 Restricted heavy goods vehicles: abolition of Farmer's and Showmen's concessionary rates

610 Plating and Testing threshold change

611 Trailer duty : one rate. Abolition of Farmers and Showmen's concession

612 Special Types : VED rate increase

**OTHER**

630 Refund of fees

631 Pre-consolidation amendments (including the repeal of the NI Act 1972 and the extension of the 1971 Act to NI)

632 Voluntary buses for disabled people (definition of Ambulance and New Welfare Vehicle Taxation Classes)

fp.nh/ks/105

**CONFIDENTIAL**

**Dated 13 October 1989**

**HM TREASURY**

650 Taxation of building society capital shares.

651 Disputes relating to stock on the national savings stock register in England and Wales.

652 National Weights and Measures Laboratory : Charging of Fees for work in pursuance of community regulations.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **DATE OF ISSUE: 13 OCTOBER 1989**

**TITLE:** VAT: Adjustment of input tax on capital goods

**STARTER NUMBER:** 42 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of* Legislation |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full Year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | By Order |

| | | | |
|---|---|---|---|
| Minister in lead | PMG | PCTA or equivalent resolution required | No |

**ORIGIN OF STARTER:** MINISTERS

**PURPOSE OF STARTER:** Ministers have stated publicly their intention to introduce a measure from 1 April 1990 to implement a mandatory requirement of the EC Sixth VAT Directive covering adjustment of input tax deduction on capital goods by partly exempt businesses. Adjustments will be necessary where the use to which capital goods are put changes over the subsequent 5 years (or 10 in the case of immovable property).

**KEY POINTS:** A Consultation exercise with interested bodies was concluded in August 1988 and draft regulations were exposed in May 1989. Regulations are to be laid before Parliament by the end of November 1989.

The change is not expected to be controversial: a small additional record keeping burden will fall on approximately 7,000 mainly large businesses.

**OFFICIAL IN LEAD:** I WALTON **TELEPHONE:** 865 (GIN 3913) 5295

**OFFICIAL IN SUPPORT:** A CARRUTHERS **TELEPHONE:** 865 (GIN 3913) 5351

**FP CONTACT:** R 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.

fp.nh/ks/110

Date of issue: 13 October 1989

BUDGET STARTER: REFERENCE SHEET

**TITLE:** VAT : Ex gratia interest payments arising from test cases

**STARTER NUMBER:** 43 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -20 | -20 | -20 | - | - | 24 lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** Customs

**PURPOSE OF STARTER:** Provision to enable payment out of revenue rather than Vote of ex gratia payments of interest on repayments of VAT or duty to persons affected by the decision in a test case.

**KEY POINTS:** Treasury Solicitor is curently being approached by Treasury officials as to whether further legislative provision is required for such payments. Revenue cost, estimated on current year, would be offset by a reduction in Vote.

**OFFICIAL IN LEAD:** M J ELAND **TELEPHONE** 865 (GTN 3913) 5431

**OFFICIAL IN SUPPORT:** R W MACLACHLAN **TELEPHONE** 865 (GTN 3913) 5433

**FP CONTACT:** R 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Income Tax Allowances, Basic Rate Limit and Rates

**STARTER NUMBER:** 100 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| 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

**PURPOSE OF STARTER:** Conjunctural item: to set income tax rates and thresholds for 1990-91.

**KEY POINTS:** This starter includes thresholds: basic personal allowance and married couple's allowance, age-related allowances, basic rate limit

and rates: basic and higher rate

Cost of approximately $7\frac{1}{2}$ per cent price indexation of thresholds (£1700m for 1990-91, £2275m for 1991-92) is included in the forecast. Generally at least earnings indexation approx $9\frac{1}{2}$ per cent needed to ensure Revenue staff requirement does not rise next year compared with 1989-90. 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 in early to mid-November.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | B A Mace | **TELEPHONE:** | 3541 6546 |
| **OFFICIAL IN SUPPORT:** | P Wardle | **TELEPHONE:** | 3541 7349 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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** **Date of issue:** October 1989

**TITLE:** Benefits in Kind: Car and Car Fuel Scales

**STARTER NUMBER:** 101 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Likely to be small | | About 1 1/2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| | |

| FST | Yes |
|---|---|

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set the Schedule E benefit in kind "car scales" and "fuel scales" for 1990-91.

**KEY POINTS:** Basis of valuation: Following large increases of last two years, scope for further increases depends on Government's view of the proper basis for valuing the benefit and, of course, conjunctural factors. A major issue is how far - if at all - scales should continue to be reduced to reflect business mileage.
Structure of scales: To provide a fairer system, possible restructuring of scales in longer term, leading option being cost basis.
Linked issues: Mileage allowances (Starter No 102); £8,000 limit for capital allowances and leasing charges for cars.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | C R Massingale | **TELEPHONE:** | 3541 6303 |
| **OFFICIAL IN SUPPORT:** | M Evershed | **TELEPHONE:** | 3541 7764 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** **Date of issue:** October 1989

**TITLE:** Schedule E Expenses: Car Mileage Allowances

**STARTER NUMBER:** 102 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions Options range from small yield up to +£150m | | | Depends on decisions All options have significant transitional costs (up to +300 for 1990-91). Range from -100 to +200 beyond there. | | Depends on decisions, up to 3 pages |

| | |
|---|---|
| Minister in lead | PCTA or equivalent resolution required |
| FST | No |

**ORIGIN OF STARTER:** Unsatisfactory features of present administrative arrangements for taxing mileage allowances, and need for taxation of mileage allowances and company cars to be consistent.

**PURPOSE OF STARTER:** To substitute statutory basis for car mileage allowances for ineffective current arrangements.

**KEY POINTS:** Current regime: Administrative arrangements (FPCS) now out of line with law. FPCS exempts many taxpayers incorrectly and underassesses others (including some sensitive categories of taxpayer).
Rate of Allowance: Would need to be decided.
Staff Costs: Significant transitional staff costs unavoidable.

Changes likely to be controversial because present system is in practice generous.

**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** S S Wilcox **TELEPHONE:** 3541 6383

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue:** October 1989

**TITLE:** Schedule E Expenses: Training

**STARTER NUMBER:** 103 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Full year cost up to £40m (before any behavioural response) | | | N/K | N/K | Up to 1 1/2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** DTI, DE and DES Budget Representations 1987 and 1988. **Ministerial** undertaking to consider.

**PURPOSE OF STARTER:**

To provide a new Schedule E expense allowance for training costs incurred by employees.

**KEY POINTS:**

Interdepartmental Working Group: Due to report in early December.

Current Revenue View: Case for a new relief has not yet been made. Ring fencing/definitions and high deadweight costs are against any change.


**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** S S Wilcox **TELEPHONE:** 3541 6383

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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**

**Date of issue:** October 1989

**TITLE:** Benefits in Kind: Beneficial Loans

**STARTER NUMBER:** 104

**CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Small cost | | | Depends on decisions - likely to be small | | About 1 page (but would depend on decisions) |

| | |
|---|---|
| Minister in lead | PCTA or equivalent resolution required |
| FST | No |

**ORIGIN OF STARTER:** Representations from employers that present system can overcharge the benefit.

**PURPOSE OF STARTER:** To provide a fairer system which takes account of commercial developments since the original rules were introduced.

**KEY POINTS:** Current charge: Compares a single "official rate" of interest with interest charged by employer.
The Difficulty: Current "official rate" exceeds mortgage interest rate. Employees can face a benefit charge on the difference.
Possible solutions: To exempt loans made on commercial terms and/or introduce separate official rate for housing loans.
Other Issues: Further anomalies could be tackled eg present rules do not cater adequately for fixed interest/equity sharing loans.


**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** M Evershed **TELEPHONE:** 3541 7764

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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

Date of issue: October 1989

TITLE: Schedule E: Receipts Basis of Assessment

STARTER NUMBER: 105

CLASSIFICATION: B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Probably small cost | | Probably small cost | | 2-3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

ORIGIN OF STARTER: New basis of assessment introduced by Sections 36-45 FA 1989

PURPOSE OF STARTER: To remedy anomalies in transitional provisions on which representations received too late to deal with in FA 1989. (And to deal with any further problems which surface in next few months.)

KEY POINTS: Previous FST agreed to keep new proposals in 1989 Act under close review - aware of two pressure points: (a) transitional relief provisions may cause some taxpayers to lose benefit of other reliefs (eg BES) for 1988-89; (b) some taxpayers previously assessed on accounts basis may lose significantly on transition to receipts basis. If pressure sufficiently strong and widespread, may need to consider early announcement of intention to provide some measure of relief since tax position for 1988-89 would be affected.


OFFICIAL IN LEAD: I Fraser TELEPHONE: 3541 6818

OFFICIAL IN SUPPORT: J Payne TELEPHONE: 3541 7211

FP CONTACT: J F Gilhooly TELEPHONE: 270 4550


* 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Mortgage Interest Relief Limit for 1990-91

**STARTER NUMBER:** 106 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Limit reimposed at £30,000 | | | | | |
| Nil | Nil | | Neg | Neg | Few lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To fix mortgage interest relief limit; must be done annually in Finance Bill.

**KEY POINTS:**

Limit introduced in 1974 at £25,000; increased to £30,000 in 1983 and since unchanged. Residence basis has operated since 1988.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | B O'Connor | **TELEPHONE:** | 3541 6218 |
| **OFFICIAL IN SUPPORT:** | A Orhnial | **TELEPHONE:** | 3541 6785 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Small Repayment Claims

**STARTER NUMBER:** 150 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Depends on decisions | | Potentially very large staff cost if no solution can be found | | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To reduce the number of claims from individuals for payment of the tax credit attaching to small dividends.

**KEY POINTS:** As a result of Independent Taxation, the privatisation programme and building society developments, there is expected to be a very large increase in the number of small repayment claims over the next few years. A number of legislative and administrative options for dealing with this growth were outlined in a note sent to Ministers on 23 June 1989. Ministers decided that there should be an Efficiency Scrutiny of administrative options and that, separately but in parallel, there should be further work on some of the legislative options. Links with Starters No 153 (Encouragement for Savings) and No 206 (Building Societies).


**OFFICIAL IN LEAD:** S J McManus **TELEPHONE:** 3541 6768

**OFFICIAL IN SUPPORT:** D Shaw **TELEPHONE:** 3541 6832

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Pensions: Technical Changes

**STARTER NUMBER:** 151 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Nil | Nil | Small staff saving (and avoids staff increase otherwise needed in SFO) | | 2/3 page (already drafted) for item 1 below; depends on decisions for item 2. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** 1. To permit regulations to be made tightening up some of the rules for existing small self-administered (ie largely director-controlled) pension schemes.
2. To correct any defects in the 1989 legislation requiring urgent attention - none identified so far.

**KEY POINTS:** Legislation on 1 above was prepared this year, but was not ready in time for inclusion in the Bill as published. Rather than introduce it at Committee, Ministers decided to leave it until 1990. At meeting on 25 July, Chancellor said there was much to be said for restricting action to 1. above, to let this year's changes bed down.


**OFFICIAL IN LEAD:** A W Kuczys **TELEPHONE:** 3541 6487

**OFFICIAL IN SUPPORT:** J D Hinton **TELEPHONE:** 3541 7565

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** SAYE

**STARTER NUMBER:** 152 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | Up to 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Lobbying by Abbey National

**PURPOSE OF STARTER:** To allow Banks, as well as Building Societies, to offer share-related SAYE; and to withdraw non-share-related SAYE altogether.

**KEY POINTS:**
See minute of 2 March 1989 from Financial Secretary to Chancellor, and Mr Taylor's response of 3 March, concluding that nothing should be done in 1989, but the combined package (including abolition of non-share-related SAYE) should be for 1990. Links with Starter 153 (Encouragement for Savings)

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A W Kuczys | **TELEPHONE:** | 3541 6487 |
| **OFFICIAL IN SUPPORT:** | A J Walker | **TELEPHONE:** | 3541 7237 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |
| **FIM CONTACT:** | G F Dickson | **TELEPHONE:** | 270 4491 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Encouragement for Savings

**STARTER NUMBER:** 153 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Could be significant cost: depends on decisions | | | Likely to be small | | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Treasury Ministers

**PURPOSE OF STARTER:** To give a further incentive to savings through the tax system.

**KEY POINTS:**

Chancellor has asked for work on possible measures to boost savings ratio (being carried out by Mr Riley, HMT). This starter covers the possibility of a PEP-type scheme of tax relief for general savings. Links with Starters 150 (Small Repayment Claims) and 152 (SAYE).

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A W Kuczys | **TELEPHONE:** | 3541 6487 |
| **OFFICIAL IN SUPPORT:** | A J Walker | **TELEPHONE:** | 3541 7237 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Convertible and Index Linked Bonds

**STARTER NUMBER:** 154 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 3 pages |

| | |
|---|---|
| Minister in lead | PCTA or equivalent resolution required |
| FST | Under consideration |

**ORIGIN OF STARTER:** Ministerial commitment

**PURPOSE OF STARTER:** To devise suitable arrangements for apportioning yield on certain bonds issued on or after 9 June 1989 between income chargeable to income tax and gains chargeable to capital gains tax.

**KEY POINTS:**

Economic Secretary announced during Committee Stage of 1989 Bill that consultations would take place. Intention is to issue Consultation Paper in mid-October. Precise form of legislation depends on outcome.


**OFFICIAL IN LEAD:** B O'Connor **TELEPHONE:** 3541 6218

**OFFICIAL IN SUPPORT:** A Orhnial **TELEPHONE:** 3541 6785

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Main CT Rate for Financial Year 1990

**STARTER NUMBER:** 200 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Yield/cost of 1 per cent change: | | | Nil | Nil | 2 lines |
| Neg | 440 | 630 | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set main CT rate for Financial Year 1990.

**KEY POINTS:** Prior to the 1984 Business tax reforms the rates of corporation tax had normally been set in arrear. Rate for Financial Year 1990 does not have to be set until Budget 1991. But representative bodies have welcomed advance notice since 1984.


**OFFICIAL IN LEAD:** J H Reed **TELEPHONE:** 3541 6442

**OFFICIAL IN SUPPORT:** Miss B St Quinton **TELEPHONE:** 3541 6390

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Small Companies Rate of CT for Financial Year 1990

**STARTER NUMBER:** 201 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Yield/cost of 1 per cent change: | | | Nil | Nil | 2 lines |
| Neg | 35 | 50 | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set small companies rate of CT for Financial Year 1990.

**KEY POINTS:** Prior to the 1984 Business tax reforms the rates of corporation tax were normally set in arrear. Rate for Financial Year 1990 does not have to be set until Budget 1991. But representative bodies have welcomed advance notice since 1984. (Income limits for small companies rate increased in Finance Act 1989 - Ministers may wish to leave them unchanged.)


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | J H Reed | **TELEPHONE:** | 3541 6442 |
| **OFFICIAL IN SUPPORT:** | Miss B St Quinton | **TELEPHONE:** | 3541 6390 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** **Date of issue:** October 1989

**TITLE:** Capital Allowances and VAT

**STARTER NUMBER:** 202 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** EC Sixth Directive on VAT

**PURPOSE OF STARTER:** To adapt capital allowances code to deal with changes in VAT treatment of a limited category of capital goods which are above a de minimis threshold.

**KEY POINTS:** VAT is included in cost of capital assets on which capital allowances may be due. Under EC Sixth Directive, amount of VAT can be varied on certain assets up to 9 years after purchase and so capital allowances affected. VAT regulations will not be finalised until late in 1989. They will apply to transactions after 1 April 1990 but will only alter the VAT due from 1 April 1991. Hence the capital allowances changes could be made in 1991. But it would probably be necessary to announce what the Government was going to do reasonably soon after the VAT changes pass into law. The legislation will be uncontroversial and could be included in a Schedule.


**OFFICIAL IN LEAD:** A J O'Brien **TELEPHONE:** 3541 6287

**OFFICIAL IN SUPPORT:** **TELEPHONE:** 3541

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue: October 1989**

**TITLE:** Relief for Nuclear Decommissioning

**STARTER NUMBER:** 203 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Neg | Neg | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Energy

**PURPOSE OF STARTER:** To give immediate relief for long term capital provisions made for the cost of decommissioning nuclear reactors and other facilities.

**KEY POINTS:** No relief is due for provisions made currently to meet expected future capital expenditure. Because of the large costs of decommissioning the industry want a deduction for the money they need to set aside to meet these costs. Position under review following Magnox decision.


**OFFICIAL IN LEAD:** A J O'Brien **TELEPHONE:** 3541 6287

**OFFICIAL IN SUPPORT:** **TELEPHONE:**

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Trading Losses and Capital Gains

**STARTER NUMBER:** 204 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Nil | -35 | -50 (first full year)<br>-15 (in the long run) | +10 to 20 | | At least 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Proposal by Lord Young as SoS, DTI; some outside representations

**PURPOSE OF STARTER:** To allow unincorporated businessmen to set unused trading losses against capital gains.

**KEY POINTS:** Chancellor has asked for this point - dropped as a starter in 1989 - to be considered as a starter for 1990.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | M J G Elliott | **TELEPHONE:** | 3541 6252 |
| **OFFICIAL IN SUPPORT:** | Miss C M Brand | **TELEPHONE:** | 3541 6304 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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** **Date of issue:** October 1989

**TITLE:** Unit and Investment Trusts

**STARTER NUMBER:** 205 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Depends on decisions. Could be small staff cost. | | Up to 20 pages depending on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from the industry

**PURPOSE OF STARTER:** To improve the ability of UK based collective investment vehicles to compete, particularly in EC. Also to provide a more level playing field for funds in domestic market.

**KEY POINTS:** Public commitment to review. Action may be desirable on a number of aspects: a transparent regime for authorised unit trusts; a composite rate scheme for money funds; the treatment of futures and options and rules about trading for authorised unit trusts; extensions to investment trusts; amendments to regime for unauthorised trusts.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A G Nield | **TELEPHONE:** | 3541 6412 |
| **OFFICIAL IN SUPPORT:** | M R Williams | **TELEPHONE:** | 3541 7517 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** **Date of issue:** October 1989

**TITLE:** Building Societies

**STARTER NUMBER:** 206 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Depends on decisions and behavioural effects. Main staff costs would arise if changes mean married women can claim repayments. Could be substantial if many societies issue new capital. | | Up to 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from Building Societies and Building Societies Commission.

**PURPOSE OF STARTER:** To adapt tax system to cope with new forms of capital to be issued by building societies.

**KEY POINTS:** Ministers are committed to considering tax consequences of new forms of capital which BSC are prepared to designate. BSCs have not yet put forward any proposals. If BSC and building societies are prepared to accept minimalist scheme, legislation might be quite short. Link with Starter 150 (Small Repayment Claims).


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A G Nield | **TELEPHONE:** | 3541 6412 |
| **OFFICIAL IN SUPPORT:** | M R Williams | **TELEPHONE:** | 3541 7517 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Life Assurance: Second Stage Measures

**STARTER NUMBER:** 207 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +15 | +50 | | Nil | -10 | 15-20 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Second stage of Reform announced in Budget 1989

**PURPOSE OF STARTER:** To complete reform of life assurance taxation as respects: (i) captive unit trusts; (ii) policy holder taxation; (iii) reassurance business; (iv) identification of assets etc by class of business and (v) international business.

**KEY POINTS:** Main structural measures in Finance Act 1989. Consultation on more specialised second stage measures announced in Budget 1989, now under way. Some (but not all) ingredients need to come into effect from 1 January 1990, hence announcement by end 1989. Topics above listed broadly in descending order of likely controversy. Treatment of transitional issues likely to be important. Yield could be significantly greater than shown in medium and long term and include contribution from blocking future avoidance not reflected in current forecasts.


**OFFICIAL IN LEAD:** M Haigh/R C Mountain **TELEPHONE:** 3541 6646/7258

**OFFICIAL IN SUPPORT:** D Hallam **TELEPHONE:** 3541 7343

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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

Date of issue: October 1989

TITLE: CGT: Annual Exempt Amount

STARTER NUMBER: 250

CLASSIFICATION: A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1991/92 | 1992/93 | |
| Forecasts assume revalorisation. Extra yield if no revalorisation: | | | No staff effect assuming revalorisation; if no revalorisation, staff addition of: | | Few lines (in event of non-revalorisation) |
| Nil | +10 | +15 | +15 | +30 | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| Chancellor | No |

ORIGIN OF STARTER: Annual Budget Starter

PURPOSE OF STARTER: To set the annual exempt amount for 1990-91 for individuals and trusts.

KEY POINTS: Annual exempt amount frozen at its 1988-89 level for 1989-90 (£5,000 for individuals and £2,500 for most trustees). Introduction of Independent Taxation in April 1990 will mean husband and wife will each have their own exempt amount. In the absence of a specific measure the amount will increase automatically under the statutory indexation formula and this is assumed in forecasts.


| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | M F Cayley | TELEPHONE: | 3541 7427 |
| OFFICIAL IN SUPPORT: | Miss R A Dyall | TELEPHONE: | 3541 7571 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |


* 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** **Date of issue:** October 1989

**TITLE:** CGT: Convertible Bonds

**STARTER NUMBER:** 251 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| In medium term, tax at risk if no action taken might be up to £40m: could be more in long term. | | | Neg | Neg | 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To extend the existing exemption from CGT for qualifying corporate bonds to bonds convertible into qualifying corporate bonds and to exclude bonds issued by a subsidiary and convertible into shares of a quoted parent.

**KEY POINTS:** Changes will close two loopholes in the definition of a qualifying corporate bond which could be exploited to obtain indexation losses. Previous experience indicates that once avoidance possibilities are recognised tax driven issues increase very sharply.

Could form part of a package on convertibles following the 1989 legislation on deep gain securities. Link with Starter No 154 (Convertible and Index-linked Bonds).

**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue:** October 1989

**TITLE:** Capital Gains: Capital Loss Buying

**STARTER NUMBER:** 252 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Risk of tax loss of over £100m a year if no action taken. | | Neg | Neg | Depends on decisions but probably not less than 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To counter avoidance by groups of companies with accrued gains buying companies with accrued losses and using tax-free intra-group transfers to bring the two together.

**KEY POINTS:** The Revenue has recently lost the cases of News International v Shepherd and Shepherd v Lyntress in the High Court on this issue. An appeal has been lodged but with little hope of success. Decision illustrates that Furniss v Dawson is no longer an adequate defence against this type of avoidance. Tax loss in those cases alone could be c. £150m.

**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** CGT: Redemptions and Reductions of Share Capital

**STARTER NUMBER:** 253 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Depending on outcome of legal advice, in medium to long term tax at risk could run to several hundred millions | | | Neg | Neg | About 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent avoidance through share redemptions and reductions of share capital.

**KEY POINTS:** Anomalies in the law mean that on a share redemption or reduction a capital loss may arise for tax purposes in the hands of corporate shareholders even though a profit is really being made by the shareholder. Some evidence of tax planning to take advantage of this in some large cases. We know of one existing case where tax involved could be around £75m. We are seeking legal advice on the strength of existing defences and as the position is complex it may be late in the season before it is clear whether legislation is necessary.


**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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

Date of issue: October 1989

TITLE: CGT: Non-residents: Conversion of UK Branch into UK Incorporated Subsidiary

STARTER NUMBER: 254

CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Neg | | Neg | Neg | Depends on decisions. Could be up to 3 pages. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

ORIGIN OF STARTER: Representations from ABSAL supported by DTI, SIB and Bank of England

PURPOSE OF STARTER: To avoid an immediate capital gains tax charge on conversion of a branch of a non-UK resident company into a UK incorporated subsidiary.

KEY POINTS: Capital gains charges may arise on the conversion of a UK branch into a UK company. The Securities and Investment Board are compelling some foreign financial institutions to turn their UK branches into UK companies. We have received representations that the capital gains charges should be removed and replaced with deferral until the successor company sells the assets.

| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | M F Cayley | TELEPHONE: | 3541 7427 |
| OFFICIAL IN SUPPORT: | Ms P Dixon | TELEPHONE: | 3541 6739 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |

* 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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Threshold and Rate

**STARTER NUMBER:** 255 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| See Key Points | | | Indexation alone will reduce the workload marginally (by 6 per cent) and the staff needs. | | 1/2 page (if no automatic indexation) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set the threshold and rate for the payment of IHT.

**KEY POINTS:**

1. In the absence of a clause the threshold will be automatically indexed with costs (already assumed in the current forecast) of £30m in 1990-91, £65m in 1991-92 and £75m in a full year.

2. Indexation alone is likely to increase the threshold from £118,000 to £126,000 and reduce the number of taxpaying cases from 24,500 to 23,000.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | L E Jaundoo | **TELEPHONE:** | 3541 6459 |
| **OFFICIAL IN SUPPORT:** | Mrs C Evans | **TELEPHONE:** | 3541 6478 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Abolition of Nil Rate

**STARTER NUMBER:** 256 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | At least 4 pages - probably more. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Chancellor

**PURPOSE OF STARTER:** To eliminate the "nil" rate band that applies to all taxable estates below the threshold.

**KEY POINTS:** The nil or zero rate is a concept common to both IHT and VAT. The amount of tax on zero-rated supplies is nil but they are still taxable supplies. Similarly a "chargeable transfer" includes property within the nil rate band. Because it is an integral part of the structure of the tax Counsel advises that to get rid of the nil rate will involve at best extensive and complicated rewriting of IHT. If Ministers thought this sufficient, we could probably abolish the prominent Table in Schedule I while retaining the nil rate. (VAT has no such table.)


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** Mrs C Evans **TELEPHONE:** 3541 6478

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** IHT: Instruments of Variation

**STARTER NUMBER:** 257 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Depends on decisions | | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Treasury Ministers

**PURPOSE OF STARTER:** To limit the extent to which the distribution of an estate can be rearranged post-death to obtain a tax advantage retrospectively.

**KEY POINTS:**

The (then) Financial Secretary when withdrawing a general measure to this effect from the 1989 Finance Bill indicated that a more targeted measure to counter abuse may be put forward in 1990 while acknowledging that it was not easy to find a way of doing so.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | L E Jaundoo | **TELEPHONE:** | 3541 6459 |
| **OFFICIAL IN SUPPORT:** | A Ashcroft | **TELEPHONE:** | 3541 7498 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Partly Exempt Transfers

**STARTER NUMBER:** 258 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg | Up to £40m pa potentially at risk | Nil | Nil | 1/2 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To correct a defect in the rules for apportioning value between exempt and chargeable gifts.

**KEY POINTS:** 1. If we do not legislate we shall have to make public by Statement of Practice a change of interpretation which gives an opportunity for avoidance.
2. Recent legal advice means that where a transfer is partly exempt the tax payable on the chargeable part can be reduced simply by sub-dividing the transfer into different funds.
3. eg property in settlement devolves as to a cash legacy of £200,000 to the son, remainder to surviving spouse. By creating two settlements instead of one - each giving £100,000 legacy to son - the tax payable on total £200,000 going to son is reduced by about £22,000.


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** Mrs C Evans **TELEPHONE:** 3541 6478

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** IHT: Interests in Possession

**STARTER NUMBER:** 259 **CLASSIFICATION:** C

| | Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|---|
| i | Neg | Neg | + 5 to 10 possibly more | Nil | Nil | 1/2 page |
| ii | N/K | N/K | | Nil | Nil | 1/2 page |

Minister in lead

PCTA or equivalent resolution required

FST

Yes

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:**

Item i To alter way of taxing interest in possession (IIP) which terminates in the lifetime of a life tenant.

Item ii To make gifts with reservation (GWR) rules apply on termination of IIP otherwise than by voluntary act of life tenant (eg by exercise of trustees' overriding powers).

**KEY POINTS:**

Item i a. If not done, new interpretation of law will need to be published causing tax loss - reflected in current forecast: probably £5m-£15m but (depending on behavioural changes) could be several millions higher.

b. Legislation would reverse recent legal advice that existing law requires charge to be based on actual value of assets concerned and not on "aggregation" basis hitherto in use.

c. Option to go beyond restoring "aggregation" basis and substitute full "loss to estate" treatment. Yield then £5m 1990/91, £10m 1991/92 rising eventually to £30m-£35m in a full year.

Item ii Not worthwhile alone but can be linked conveniently with item i. Discarded for 1989 - "can wait another year". Corrects anomaly inadvertently left by 1986 introduction of GWR rules. Some potential tax loss (unquantifiable) while anomaly remains.

**OFFICIAL IN LEAD:** H B Thompson **TELEPHONE:** 3541 6334

**OFFICIAL IN SUPPORT:** A Ashcroft **TELEPHONE:** 3541 7498

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Heritage Maintenance Funds

**STARTER NUMBER:** 260 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| - | (unquantifiable - likely to be small) | | Nil | Nil | Perhaps 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| | |

| FST | |
|---|---|
| | No |

**ORIGIN OF STARTER:** Commitment to consider given in Finance Bill debates

**PURPOSE OF STARTER:** To allow maintenance fund assets to be used for improvement of heritage property, to increase its income potential.

**KEY POINTS:**

Proposal unacceptable as made - risks of abuse. Modified version might be feasible, perhaps without legislation - possibilities to be explored with Historic Houses Association.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | H B Thompson | **TELEPHONE:** | 3541 6334 |
| **OFFICIAL IN SUPPORT:** | J G Marchant | **TELEPHONE:** | 3541 6583 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** 10 November 1989

**TITLE:** Irrecoverable Loans

**STARTER NUMBER:** 261 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg cost | Neg cost | Neg cost | Neg | Neg | Up to 2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** BVCA

**PURPOSE OF STARTER:** To give lender relief where a loan in the form of a bond becomes irrecoverable.

**KEY POINTS:**

BVCA argue that absence of relief makes it more difficult for venture capital sector to raise finance. FST has decided that relief should be given.


**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** A Hardacre **TELEPHONE:** 3541 7571

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1989

TITLE: Stamp Duty: Rates and Threshold

STARTER NUMBER: 300

CLASSIFICATION: A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| ---------- | | Depends on option(s) chosen | | | ---------- |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

ORIGIN OF STARTER: Annual Budget Starter

PURPOSE OF STARTER: To change either or both of the present 1% stamp duty charge on houses and land and/or the 0.5% rate on shares. Additionally or alternatively the present £30,000 threshold for houses and land could be raised.

KEY POINTS: Stamp duty on shares currently yields £0.8bn. Complete abolition seriously considered last year. "Market force" arguments for abolition or reduction perhaps even stronger as 1992 draws nearer. But now seems that duty - at either 0.5% or 0.25% rate - can cope with TAURUS, albeit at some staff and legislative cost (see Starter 301).

Pressure on duty on houses and land largely relates to threshold, not rate. Present threshold fixed in 1984, since when average house prices have increased by 130%. To increase the threshold in line with general inflation since 1984 would mean increasing it to £45,000 (at an annual cost of around £100m); a £65,000 threshold (annual cost of £260m) would be required to keep up with average house prices.


| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | Miss M A Hill | TELEPHONE: | 3541 6409 |
| OFFICIAL IN SUPPORT: | N B Adderley | TELEPHONE: | 3541 6605 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |


* 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.

CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET

Date of issue: October 1989

**TITLE:** Stamp Duty and SDRT on Shares: TAURUS

**STARTER NUMBER:** 301

**CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | +10 | +10 | 5-10 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Stock Exchange and DTI

**PURPOSE OF STARTER:** To amend primary legislation to accommodate paperless share transfers (ie systems such as TAURUS). Needed to protect duty in some cases; to provide relief in others and to enable a sensible operational system to be set up.

**KEY POINTS:** 1989 Finance Act contained interim Regulation-making powers to cater for expected TAURUS pilots etc. At the same time primary legislation promised for 1990 Finance Bill. In the event Stock Exchange's timetable slipped, and full TAURUS now unlikely before end 1990. But revised timetable still points to legislating in 1990 Bill, if duty on shares not to be abolished altogether (see Starter 300).

Stock Exchange still to firm up on TAURUS system details: final decisions will determine some - but not all - of the Finance Bill provisions.


**OFFICIAL IN LEAD:** Miss M A Hill **TELEPHONE:** 3541 6409

**OFFICIAL IN SUPPORT:** N B Adderley **TELEPHONE:** 3541 6605

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Oil Abandonment: PRT/CT Reliefs

**STARTER NUMBER:** 350 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg (revenue effects spread over 20 years or so. Cost therefore highly uncertain but currently estimated at some £80m in undiscounted 1988 prices, mostly incurred between 1995 and 2005) | Neg | Nil | Nil | 10-15 pages (assumes only main measures in 1990 Bill; technical measures deferred to 1991) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Oil Industry (UKOOA) proposals

**PURPOSE OF STARTER:** To rationalise present system of tax reliefs for North Sea oil abandonment expenditure and prevent distortions to company behaviour.

**KEY POINTS:** For CT - a new capital allowance to give immediate relief; extension to 3 years re carryback of losses; change in CT timing arrangements for PRT repayments. For PRT - restriction of interest on PRT repayments. Also CT and PRT relief for guarantee fees.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | C D Sullivan | **TELEPHONE:** | 3541 6576 |
| **OFFICIAL IN SUPPORT:** | J Evans | **TELEPHONE:** | 3541 6018 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** **Date of issue:** October 1989

**TITLE:** Oil Abandonment: Capital Losses

**STARTER NUMBER:** 351 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Neg (could prevent very large losses in future years, which would build up potentially to some hundreds of millions as time progresses. Over half the cost, if no action, likely to arise within 5 years or so of year 2000) | Neg | | Nil | Nil | 1-2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent oil companies realising large artificial capital losses on sale or surrender of oil licences.

**KEY POINTS:** The indexation allowance, based on 1982 values, allows oil companies who acquired licences before that date to generate some very large artificial capital losses. These potential losses build up (possibly to some £15bn or so) as licences fall in value towards field abandonment but will only crystallise as licences expire or are surrendered/disposed of. The measure will prevent indexation creating these artificial losses.

**OFFICIAL IN LEAD:** C D Sullivan **TELEPHONE:** 3541 6576

**OFFICIAL IN SUPPORT:** J Evans **TELEPHONE:** 3541 6018

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** PRT: Keith-related Issues

**STARTER NUMBER:** 352 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| +30 (figure highly volatile and can only be used as indicator. Based on tax, interest and penalties at risk from current investigations. The number of, and yield from, investigations will inevitably fluctuate from year to year.) | | Nil | Nil | 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To provide clear statutory backing for the recovery of tax in older, incorrect, expenditure claims cases.

**KEY POINTS:** Keith Committee proposals on PRT and related issues are being reviewed. Initial submission to Ministers in Autumn likely to recommend further work on detail, consultation with industry in 1990, and legislation for later year(s). But at least one issue may need addressing earlier: Revenue has now discovered incorrect (and negligent) expenditure claims where decisions to allow them were given more than 3 years previously. To withdraw incorrect relief, or prevent multiple relief being given, requires this time-bar to be removed for culpable cases.


**OFFICIAL IN LEAD:** C D Sullivan **TELEPHONE:** 3541 6576

**OFFICIAL IN SUPPORT:** J D Willmer **TELEPHONE:** 3541 7437

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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 Date of issue: October 1989

**TITLE:** Tax Rules for European Economic Interest Groupings (EEIGs)

**STARTER NUMBER:** 400 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 3-4 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

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

**PURPOSE OF STARTER:** The Regulation is directly applicable in UK law from 1 July 1989, but Technical legislation is needed on matters of detail so as to make it effective.

**KEY POINTS:** Legislation deferred from last year. 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.


**OFFICIAL IN LEAD:** J B Shepherd/Miss R A Dyall **TELEPHONE:** 3541 7019/7571

**OFFICIAL IN SUPPORT:** P A Michael **TELEPHONE:** 3541 6362

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Thin Capitalisation

**STARTER NUMBER:** 401 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Substantial revenue at risk - in region of £100m a year - if no action taken | | Neg | Neg | Depends on decisions. Could be up to 10 pages. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Under consideration |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** Provisions to deal with thin capitalisation (ie foreign owned groups placing a disproportionate amount of their worldwide debt in the UK so as to reduce or eliminate the taxable profits of their UK activities).

**KEY POINTS:** Existing UK legislation to combat thin capitalisation being circumvented by indirect financing arrangements. Chancellor has commented that there is a very strong case for legislation (which is likely to be controversial) but that it is a fiendishly complex area and action in 1990 is unlikely. However, Ministers have agreed that Parliamentary Counsel be instructed on a contingency basis. If legislation is to be introduced there is a Ministerial commitment to prior consultation.


**OFFICIAL IN LEAD:** P W Fawcett **TELEPHONE:** 3541 6497

**OFFICIAL IN SUPPORT:** P A Michael **TELEPHONE:** 3541 6362

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Sovereign Immunity

**STARTER NUMBER:** 402 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Possibly +100 if most radical option adopted | | Neg | Neg | Possibly 3 pages, but highly uncertain |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Chancellor

**PURPOSE OF STARTER:** To reduce tax immunity of foreign Heads of State and foreign and Commonwealth Governments to bring UK more into line with other countries.

**KEY POINTS:** 1. Considered as possible starter last year but dropped in light of BP/KIO issue.

2. Could be highly controversial (with implications for UK investment); need for careful handling and (possibly) discussion with eg FCO and DTI.

3. Paper on options to Ministers by end October.

**OFFICIAL IN LEAD:** J P B Bryce **TELEPHONE:** 3541 6372

**OFFICIAL IN SUPPORT:** G F E Cook **TELEPHONE:** 3541 6654

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** Date of issue: October 1989

**TITLE:** Dual Resident Companies: Avoidance Through Double Taxation Treaties

**STARTER NUMBER:** 403 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Prevents potentially substantial loss of tax. | | Neg | Neg | 2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent abuse of provisions dealing with controlled foreign companies and the transfer of assets abroad; and exploitation of the capital gains reliefs for groups of companies.

**KEY POINTS:** 1. Anti-avoidance provisions can be sidestepped by use of companies which are UK resident but are treated (under a double taxation treaty) as resident in the other country for treaty purposes.
2. A resident member of a group may:
(i) transfer assets at no gain/no loss to a dual resident member;
(ii) rollover gains on an asset to an asset acquired by a dual resident member;
and the relevant assets may be outside the UK tax charge.
3. Legislation would be pre-emptive - no evidence of tax loss to date.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | J P B Bryce (IT & CT)<br>M F Cayley (CGT) | **TELEPHONE:** | 3541 6372<br>3541 7427 |
| **OFFICIAL IN SUPPORT:** | S Walton (IT & CT)<br>Miss R A Dyall (CGT) | **TELEPHONE:** | 3541 6254<br>3541 7571 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** Date of issue: October 1989

**TITLE:** Non-resident Trusts

**STARTER NUMBER:** 404 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Could build up to a significant yield | | Some increase but unlikely to be significant | | Up to 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** General Review of trusts (announced by previous FST in June 1988)

**PURPOSE OF STARTER:** To impose effective tax charge on non-resident settlements set up by UK residents.

**KEY POINTS:** 1. Present exploitation of lack of effective charge on capital gains arising in overseas settlements; no charge on the UK resident settlor even if he has an interest in the settlement (cf 1988 provisions on resident trusts), and no charge on accrued gains when trust emigrates.

2. Radical approach would impose charge on all UK settlors of overseas trusts. Alternative would be to extend 1988 provisions to overseas trusts and introduce exit charge on emigration.

3. Transitional provisions important for existing overseas trusts.

**OFFICIAL IN LEAD:** J P B Bryce **TELEPHONE:** 3541 6372

**OFFICIAL IN SUPPORT:** D I Richardson **TELEPHONE:** 3541 6205

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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

Date of issue: October 1989

TITLE: Post-consolidation Amendments: A - ICTA 1988
B - Capital Allowances

STARTER NUMBER: 450

CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions but should be very small. | | | Neg | Neg | About 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

ORIGIN OF STARTER: Inland Revenue

PURPOSE OF STARTER: To correct defects and anomalies found following the consolidation of the Income and Corporation Taxes Acts in 1988 and during the process of consolidating the capital allowances legislation.

KEY POINTS: The package will mainly consist of minor technical items. The capital allowances items were identified in April 1989 but the (then) FST said he would prefer to defer legislation to 1990. The Capital Allowances Consolidation Bill will be introduced in Autumn 1989 and will come into effect from April 1990.

The provisions required are uncontroversial and could be included in a Schedule.

| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | A - S J McManus<br>B - A J O'Brien | TELEPHONE: | 3541 6768<br>3541 6287 |
| OFFICIAL IN SUPPORT: | A - D Shaw<br>B - | TELEPHONE: | 3541 6832 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |

* 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** **Date of issue: October 1989**

**TITLE:** Claims Under Pay and File

**STARTER NUMBER:** 451 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Discussions with representative bodies

**PURPOSE OF STARTER:** To introduce new procedural rules and time limits for claiming reliefs under Corporation Tax Pay and File.

**KEY POINTS:** 1. Detailed proposals are being worked out in consultation with the representative bodies.
2. Proposals are designed to be deregulatory and to give companies greater flexibility, but may not go as far as representative bodies would like.
3. Legislation is needed in FB 1990 in order to implement CT Pay and File in 1993, as announced.
4. Proposals are designed to make Pay and File both simpler and more efficient than the present system for administering corporation tax, leading to administrative savings for both companies and the Revenue when Pay and File is fully implemented.


**OFFICIAL IN LEAD:** D L Shaw **TELEPHONE:** 3541 6300

**OFFICIAL IN SUPPORT:** Mrs J Banner **TELEPHONE:** 3541 6690

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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

Date of issue: October 1989

TITLE: Assessing Procedures and Returns

STARTER NUMBER: 452

CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | Neg | cost neutral (larger numbers of staff required but at lower grades) | | 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

ORIGIN OF STARTER: 1989 Efficiency Scrutiny of Schedule D Procedures

PURPOSE OF STARTER: To confirm validity of assessment by clerical staff and more flexible design of personal tax returns.

KEY POINTS: 1. Legislation needed to implement 1989 Efficiency Scrutiny of Schedule D Procedures.

2. Legislation probably fairly non-controversial except that it must be fully retrospective.

3. Full extent of changes needed not yet known, but will be wider than Schedule D eg to include clerical procedures on PAYE.

4. Staff effects will be +80 from 1992/93 on, but are cost neutral through regrading of work.


OFFICIAL IN LEAD: D L Shaw TELEPHONE: 3541 6300

OFFICIAL IN SUPPORT: Mrs J Banner TELEPHONE: 3541 6690

FP CONTACT: J F Gilhooly TELEPHONE: 270 4550


* 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**

**Date of issue:** October 1989

**TITLE:** Appeal Commissioners

**STARTER NUMBER:** 453

**CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Neg | Neg | | Nil | Nil | Between 1/2 and 6 pages (probably on shorter side) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Recommendations of the Keith Committee

**PURPOSE OF STARTER:** To facilitate introduction of procedural rules and changes of name for General and Special Commissioners.

**KEY POINTS:**

1. Government is committed to further consultation on procedural rules and change of name with indication of early action.

2. Government under strong pressure from Council on Tribunals for early legislation.

3. But need for, and form of, legislation depend on decisions to be taken by the Lord Chancellor on timing of transfer of responsibility for the Commissioners to the LCD. His decision is expected shortly.


**OFFICIAL IN LEAD:** D L Shaw **TELEPHONE:** 3541 6300

**OFFICIAL IN SUPPORT:** Mrs J Gomes **TELEPHONE:** 3541 6122

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Electricity Privatisation Consequentials: Stamp Duty

**STARTER NUMBER:** 454A **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Depends on details of flotation | | Neg | Neg | 1-2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Energy; Industry Department for Scotland

**PURPOSE OF STARTER:** To put flotation on same footing for SD/SDRT as other privatisations. Means removing any charges which arise if Department of Energy decide to use a corporate security (the so-called "industry share" or "composite unit").

**KEY POINTS:** Ministers have agreed in principle to legislate both on this point and on the provisions for employee share schemes in the new Electricity Companies (see Starter 454B). Delay in finalising the structure of the flotation meant these points had to be deferred from Electricity Bill itself. Even now, Department of Energy have made no final decision to use composite unit, so starter provisional only.

As with the employee priority legislation, a pre-Budget announcement of any SD/SDRT measures necessary may be appropriate, depending on the privatisation timetable.


**OFFICIAL IN LEAD:** Miss M A Hill **TELEPHONE:** 3541 6409

**OFFICIAL IN SUPPORT:** N B Adderley **TELEPHONE:** 3541 6605

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Electricity Privatisation Consequentials: Taxation of Employee Priority

**STARTER NUMBER:** ~~454~~B 455 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | Up to 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| | |

| FST | No |
|---|---|

**ORIGIN OF STARTER:** Department of Energy; Industry Department for Scotland

**PURPOSE OF STARTER:** To enable employees of electricity industry to benefit, on privatisation, from present income tax exemption for employee priority in public offer of shares.

**KEY POINTS:** Likely structure of post-privatisation electricity industry may prevent employees of some companies from qualifying for the tax relief for employee priority share allocations ("similar terms" priority may not be possible).

Special amendments may be needed to cater also for Magnox employees.

Pre-Budget announcement may be needed, depending on privatisation timetable.


**OFFICIAL IN LEAD:** J D Farmer **TELEPHONE:** 3541 7652

**OFFICIAL IN SUPPORT:** Mrs A Majer **TELEPHONE:** 3541 7790

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** TRICYCLES TO PRIVATE AND LIGHT GOODS

**STARTER NUMBER:** 600 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose to remove (57,000) tricycles from tricycle taxation class where currently pay £40 (same rate as biggest motor cycles) to the Private and Light Goods tax class (VED Rate £100). Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** MOTOR CYCLES : ONE RATE

**STARTER NUMBER:** 601 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +20 | +22 | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Motorcycles are currently taxed by cubic capacity and there are three tax bands - under 150cc - £10, 150cc - 250cc, £20 and over 250cc, £40. Propose that motorcycles are no longer taxed by cc but pay a single rate of duty (£40). Change will generate the same tax to cost ratiofor motorcycles as currently exists for cars. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** PEDESTRIAN CONTROLLED VEHICLES - remove from licensing and registration

**STARTER NUMBER:** 602 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

There are about 89 licensed pedestrian controlled vehicles (generally used for road and roadside maintenance) which pay VED of £10 for smallest and £20 for each other type. Propose to remove these vehicles from the requirement to register or license. Will be useful deregulatory measure with positive benefits for Local Authorities. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will not be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** CONCESSION FOR VEHICLES OVER 25 YEARS OLD

**STARTER NUMBER:** 603 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Private and Light Goods vehicles (PLG) - cars constructed before 1 January 1947 pay 60% of the £100 VED rate and motorcycles over 250cc and 101.6kgs before 1 January 1933 pay half the £40 motorcycle rate. Propose to extend the concession for all vehicles (estimate 15,000 per year) constructed over 25 years ago. Where computer records permit - changes will be dealt with automatically. Expected to reduce administrative costs in future. Will be welcomed by the AA, RAC and vintage vehicle association. Not controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** GENERAL HAULAGE VEHICLES SINGLE RATE

**STARTER NUMBER:** 604 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NIL | NIL | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

General Haulage Tax class (5,000 vehicles) has 8+ tax bands and concessionary rates for Showmens haulage vehicles. Propose to remove concession for Showmen's Haulage vehicles and introduce one rate of VED for all haulage vehicles. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Could be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** RIGIDS GOODS VEHICLES : VED RATE INCREASES
ABOLITION OF SEPARATE RATE OF VED FOR SHOWMENS AND FARMERS VEHICLES.

**STARTER NUMBER:** 605

**CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Opt.1 +110 | +110 | | NEG | NEG | N/K |
| Opt.2 +50 | +50 | (reduces assumed 5% revalorisation by 0.5%) | | | |
| Opt.3 +20 | +20 | (reduces assumed 5% revalorisation by 1.0%) | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose to increase level of VED (£160-£1250) for 170,000 rigid goods vehicles to correct the increasing imbalance in the level of excess from motoring tax over allocated track costs between Artics and Rigids. Also, to abolish the concessionary rate of VED for Showmens and Farmers Rigid vehicles (will be welcomed by Haulage Industry). Revenue implications will vary depending on the level of the increase - will be discussed in further detail in Budget submission to Chancellor. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** ARTICULATED GOODS VEHICLES : VED INCREASES AND DECREASES ABOLITION OF CONCESSIONARY RATES FOR FARMERS AND SHOWMEN'S VEHICLES.

**STARTER NUMBER:** 606 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 |
| REVENUE NEUTRAL | | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose revenue neutral increases and decreases in VED rates for 6,070 articulated vehicles over 12,00kgs - to help correct the imbalance in the level of the excess from motoring tax over allocated track costs between rigids and artics and help reduce the existing number of tax bands. Also, propose to abolish the concessionary VED rates for equivalent Farmers and Showmen's vehicles. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** FARMERS AND SHOWMEN UNDER 1525 ulw to PLG

**STARTER NUMBER:** 607 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Farmers (39,000) and Showmen (300) under 1525kgs enjoy concessionary rate of £75. Proposal is to remove concessions for all Farmers and Showmens vehicles - pay the Private and Light Goods Rate (PLG) of £100. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** ABOLITION OF FARMERS AND SHOWMEN'S RATES FOR GOODS VEHICLES UP TO 12,000kgs GROSS WEIGHT.

**STARTER NUMBER:** 608 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Goods vehicles up to 7,500kgs pay £130 VED, whilst goods vehicles up to 12,000kgs pay £290. Concessionary rates of £90 and £175 exist for equivalent Farmers and Showmen's vehicles. Propose to abolish the concession for Farmers and Showman's vehicles. This will mean increases of £10 and £40 for 10,500 vehicles under 7,500kgs (£10 for those under 3,500kgs benefiting from threshold change - Starter 610) and £115 for 2,000 Farmers vehicles and £200 for 100 Showmen's vehicles over 12,000kgs. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** RESTRICTED HEAVY GOODS VEHICLES - Abolition of Farmers' and Showmen's concessionary rates

**STARTER NUMBER:** 609 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Vehicles in the restricted heavy goods vehicle class pay £130 or £90 VED if qualify for the Farmers or Showmen's concession. Propose to abolish the concessionary rate for Farmers and Showmen's vehicles - will mean increases of £10 or £40 for about 10,000 vehicle keepers (£10 for those under 3,500kgs benefiting from threshold change - Starter 610). Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** PLATING AND TESTING THRESHOLD CHANGE

**STARTER NUMBER:** 610 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -3 | -6 | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To increase, from 1 October 1990, the weight threshold for the taxation of HGVs from 1525kgs unladen weight to 3,500kgs gross weight, in line with the change to goods vehicle plating and testing. This will result in 200,000 light goods vehicles changing from the HGV tax class (VED- £130) to the PLG tax class (VED-£100).

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** TRAILER DUTY : ONE RATE
Abolition of Farmers and Showmen's concession

**STARTER NUMBER:** 611 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Trailer duty currently consists of five tax bands and concessionary rates for Showmens. We propose one rate of duty for all trailers and abolition of the concessionary rates for Showmen's vehicles. Will mean increases in duty for about 600 trailers (duty is payable on the drawing vehicle).Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

fp.nh/ks/108

Date of issue: 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** Special Types : VED rate increase

**STARTER NUMBER:** 612 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND KEY POINTS**

Propose to peg the single rate of duty for Special types to the maximum VED rate for heavy goods vehicles. Changes in the maximum HGV rate have not been agreed (Starter 606) but need to place marker to ensure any increases are reflected.

**OFFICIAL IN LEAD:** H C DREWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** REFUND OF FEES

**STARTER NUMBER:** 630 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| NIL | NIL | NIL | NIL | 3/4 LINES |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To place on statutory basis the refund of fees in cases where such refunds are currently ultra vires, as identified by the Joint Committee on Statutory Instruments. The clause will rectify the legal deficiency accross Departments and remove the need for HM Treasury to treat refunds as ex gratia payments.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

CONFIDENTIAL

**Date of issue:** 4 October1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** PRE-CONSOLIDATION AMENDMENTS (including the repeal of the NI Act 1972 and the extension of the 1971 Act to NI)

**STARTER NUMBER:** 631 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -NEG | -NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To remove transitional provisions from Schedule 7 of the 1971 Act into the main body of the Act. To repeal the NI Act 1972 and extend the V(E)Act 1971 to NI. The 1972 Act is virtually identical to the 1971 Act and by repealing an entire Act it will halve the Finance Bill space needed for subsequent amendments covering GB and NI.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** VOLUNTARY BUSES FOR DISABLED PEOPLE (definition of Ambulance and New Welfare Vehicle Taxation Classes)

**STARTER NUMBER:** 632 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| -NEG | -NEG | NIL | NIL | 10 LINES |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To introduce a definition, with stricter criteria, for the existing 'Ambulance' class which would only include 'emergency' type ambulances.

To introduce a definition and class for 'Welfare Vehicles' to cater for those vehicles removed from the existing 'Ambulance' class, operated by voluntary organisations for the benefit of the disabled.

Both classes to remain exempt from VED, though there is a possibility that a greater number of Welfare Organisations will claim the exemption.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

fp.nh/ks/97

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** Disputes relating to stock on the national savings stock register in England and Wales

**STARTER NUMBER:** 651 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| N/A | | | N/A | | less than 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| EST | No |

**ORIGIN OF STARTER:** REGISTRY OF FRIENDLY SOCIETIES

**PURPOSE OF STARTER:** To amend the National Debt Act 1972 so that when a dispute about a holding on the national savings stock register is referred to the chief registrar of friendly societies, he may appoint a deputy to hear it and arbitrate on it.

**KEY POINTS:** Uncontentious. Parliamentary Counsel confirm that such an amendment is within the scope of a Finance Bill.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | **MISS NOBLE** | **TELEPHONE** | **270-4670** |
| **OFFICIAL IN SUPPORT:** | **MR DICKSON** | **TELEPHONE** | **270-4481** |
| **FP CONTACT:** | **MISS M HAY** | **TELEPHONE** | **270 4918** |
| **REGISTRY OF FRIENDLY SOCIETIES CONTACT** | **MR BRIDGEMAN** | | **437-9982** |

***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.

H.M. CUSTOMS AND EXCISE
NEW KING'S BEAM HOUSE, 22 UPPER GROUND
LONDON SE1 9PJ
01-620 1313

1. Mr Wilmott 11.10
2. Paymaster General

FROM: D A GAW
REVENUE DUTIES DIVISION A
DATE: 11 OCTOBER 1989

Return of an old favourite

FINANCE BILL 1990 - STARTER NO 3 11/10
ABOLITION OF MATCH AND MECHANICAL LIGHTER DUTIES

Introduction

1. The continued existence of these minor duties has been reviewed regularly over recent years. However, on each occasion abolition has been deferred because of industrial considerations (mainly to do with the Bryant and May match factory in Liverpool). In 1986 the Chancellor asked for the duties to be examined in the run-up to the 1988 Budget, with the aim of phased abolition over 3 to 5 years. Last year we recommended that abolition should be delayed until Budget 1991 or 1992. This submission takes another look at the subject, with particular reference to the implications of 1992.

---

Distribution:

| | |
|---|---|
| Chancellor | CPS |
| Chief Secretary | Mr Jefferson Smith |
| Financial Secretary | Mr Wilmott |
| Economic Secretary | Mr Nissen |
| Mr Gilhooly | Mr Breuer |
| Mr Michie | Mr Parker |
| Mr Call | Mr Cleaver |

## Background

2. Duties on matches and lighters were introduced in 1916 and are now charged under the Matches and Mechanical Lighters Duties Act 1979. The present rates of duty are:

| | |
|---|---|
| Matches | £1.15 per short standard (7200 matches), equivalent to around 0.75p a box of 48 |
| Lighters | 50p per lighter |

These rates have been effective since the 1981 Budget, which increased the duties for the first time since 1949 (although they were reduced in 1973 to compensate for the introduction of VAT). Together they raised £20.5 million in 1988/89: £7.4 million from matches and £13.1 million from lighters. Administratively the duties are easy to collect and the cost of collection is low.

## The Match Industry

3.1 The total match market in the UK is currently worth around £70 million a year. However, the match industry is in steady decline (16% drop in sales volume over the last 2 years alone) primarily brought about by the falling number of smokers and the increased competition from cheap disposable lighters.

3.2 Bryant and May Ltd, since 1987 part of the Swedish Match Group, are the only UK manufacturers of any size. Their factory employs around 280 people in a high unemployment area of Liverpool. Swedish Match has honoured the commitments it made when taking over Bryant and May and is continuing a high level of capital investment. It has closed one of its Swedish

factories that previously supplied the UK and its factory in the Republic of Ireland. Production in each case has been transferred to Liverpool. The result has been that Bryant and May have one of the two best equipped match factories in Europe (the other being the remaining factory in Sweden). They have fended off competition from lower quality Eastern European imports, are seeking to expand their export trade, and have increased their share of the UK market from 50 to 80 per cent. The match industry expects to continue to decline and Bryant and May have diversified into book matches and are actively seeking to break into the high quality confectionery market. These sweets are being manufactured in Germany but the long term aim is to set up a production line in Liverpool.

Mechanical Lighter Industry

4.1 The industry can be divided into two broad categories: cheap disposable lighters and traditional refillable lighters. The market is worth some £61 million a year in total (£35 million for disposable and £26 million for refillable lighters). Most mechanical lighters sold in the UK are imported and sales are increasing steadily (11 million in 1981, 27 million in 1988).

4.2 Disposable lighters represent the main challenge to the match industry and all such lighters are now imported. The only UK factory, IWAX in N Ireland, closed earlier this year despite having received considerable financial aid from the N I Industrial Development Board. The company now acts as a marketing and distribution centre for lighters imported from an associated company in the Philippines. Bryant and May and Swedish Match are also major importers of disposable lighters, having between them around half of the UK market.

4.3 The only major UK manufacture of traditional lighters is Ronson plc who recently announced their intention of selling their factory and concentrating on sales and marketing. There is no indication yet as to what Ronson will do if they cannot find a buyer for their manufacturing business. Imports could easily fill the gap.

EC Considerations

5.1 Matches and lighters are dutied in member states as follows:

| STATE | MATCHES (pence per box) | LIGHTERS (pence per lighter) |
|---|---|---|
| Italy | * | 44p |
| France | 0.2** | 5p |
| Denmark | 0.2 | 16p |
| Germany | Nil | Nil |
| Spain | * | 6p |
| Portugal | Nil | Nil |
| Luxembourg | Nil | Nil |
| Netherlands | Nil | Nil |
| Belgium | Nil | Nil |
| Greece | Nil | 20% of import price |
| Republic of Ireland | 0.3 | 34p |
| UK | 0.75 | 50p |

*No information

** "household" (ie large)

5.2 These minor duties were excluded from the Commission's plans for harmonisation or approximation of rates in the run up to 1992. The assumption was (and is) that national duties can continue only if there is no tax charge at the frontier. The UK duty rate and the ease of concealment (5,000 lighters can be packed in a 2ft cube) mean that a trade in smuggled lighters already exists. With the removal of frontier controls in 1993 there would almost certainly be a significant increase in the level of abuse which we would probably not counter cost-effectively.

Effect of Abolition

6. Abolition of both duties would cost £20m in excise duty and £3m in the VAT on the duty. Administrative costs equivalent to 8 man years would be saved, as would trade compliance costs. Apart from raising a modest amount of revenue, the main function of these duties has been the protection of the UK match industry from unfettered competition from the disposable lighter trade. Abolition would accentuate the trend in the market towards imported disposable lighters. The match market is divided into two distinct consumer groups, 'smoking' and 'domestic'. It is the former, around 56% of the market, that would be most susceptible to competition from disposable lighters. Bryant and May have a high dependence on this sector of the market, with the bulk of their production being strike anywhere 'smokers' matches, and they fear that the removal of the duties may lead to the closure of their Liverpool factory. Bryant and May's parent, Swedish Match, have indicated that the factory would be unprofitable if production fell to 20bn matches a year. Production is currently running at double that figure and we suspect that Bryant and Mays fears are exaggerated. However, there is no doubt that the UK match industry would suffer to some extent and that the beneficiaries of abolition would be the import lighter trade.

## The case for abolition

7.1 Two factors favouring abolition in previous reviews have been the anachronistic nature of these duties and a desire for deregulation. Their protectionist role has little place in the modern market place and by inflating prices and restricting consumer choice the duties work against the public interest, albeit on a small scale.

7.2 However, these considerations are now overshadowed by the implications of the Single European Market. Our best guess is that Member States will be able to keep minor excise duties such as these only if they are not accompanied by border tax adjustments. We do not think we could protect the revenue adequately against untaxed lighters bought abroad and conclude that the UK duties on match and mechanical lighter in these circumstances would simply cease to be viable. On that basis, the question is less one of whether to abolish and more one of timing.

## Views of interested parties

Bryant and May

8.1 Despite their large share of the disposable lighter market, Bryant and May's predominant interest is with the UK match industry. They place considerable importance on the protection given to the match industry by the duty on lighters and are aware that both duties have been candidates for abolition over recent years. They are realistic enough to accept that abolition cannot be far away but are anxious to retain the duties at existing levels for as long as possible. In this they are supported by the Department of Trade and Industry.

Department of Trade and Industry

8.2 DTI officials consider that the lighter duty should remain at its existing level, at least in the short term, to help Bryant and May during their planned diversification and the modernisation of the Liverpool factory.

8.3 DTI currently impose quantitative restrictions on importations of matches from Eastern Europe and China. Bryant and May think that these restrictions keep imports down and that their removal would jeopardise jobs at Liverpool. DTI believe such fears are probably excessive on the grounds that:

i) imports only threaten Bryant and May in the safety match market (40% of total UK demand) where Bryant and May have a 55% share. In non-safety matches Bryant and May have a virtual monopoly which comprises 75% of Liverpool's production;

ii) during the 1980s quota utilisation overall has been around 65% and in recent years no country apart from Hungary (which had a contra-trade deal with Rank Xerox) has come near to meeting its UK quota; and

iii) the two other main OECD markets for matches - West Germany and the Netherlands - are both free markets for match imports and import penetration in West Germany is only fractionally higher than the UK; in the Netherlands it is much lower.

DTI accept that these arguments are not conclusive. Such imports hold a significant price advantage over Bryant and May products, the affected countries are pressing for increases in their quotas and probably have the capacity to meet increased orders. However, DTI have decided that, on balance, quota restrictions should end by 1992, (when national quotas would be inappropriate) and that earlier liberalisation or substantial increases in quota may well occur. DTI are concerned that this decision, which has yet to be conveyed to Bryant and May, and its effects on the UK market should not be compounded by an early abolition of the lighter duty.

Lighter industry

8.4 Not surprisingly the lighter trade is strongly in favour of abolition of the duty on mechanical lighters. There is regular, but not heavy, correspondence mainly from Ronson and Rizla seeking early abolition.

Health lobby

8.5 The health lobby have not expressed a view on these duties. But they could (just about) see abolition as reducing the total cost and encouraging smokers. If abolition coincided with an increase in the duty on tobacco products such concern might not arise.

Customs and Excise

8.6 In the past we have been able to accept Bryant and May's case for retaining the duties. However, this position will become increasingly untenable as we progress towards 1992 and we would therefore welcome an early commitment to abolition.

## Options

### Abolition of one duty only

9.1 Abolition of the match duty would be resented by the lighter industry, though the effects on their market would be small. The duty reduction would not necessarily work through to the retail price of matches and at most would result in a reduction of 1p a box. More importantly, abolition of the match duty alone would leave the UK open to infraction proceedings instigated by importers of lighters, on the grounds that a duty on the wholly imported product (lighters) protected domestically manufactured goods (matches).

9.2 If only the lighter duty were abolished the effects would be very similar to abolition of both duties, but the difficulties for the match industry would be greater. Matches would become even less competitive and the future of the Bryant and May factory more problematic. Although it would be welcomed by Ronson and others, the major immediate effect would be to discriminate against the UK match industry in favour of overseas lighter manufacturers. The revenue effect would be the loss of most of the combined duties and the control problems after 1992 would remain.

### Abolition of both duties with immediate effect

9.3 This would leave retailers and wholesalers holding stocks of duty-paid product. In the case of matches this would be unlikely to pose a problem given the very small change in retail prices. But consumers would expect lighters to be 50p cheaper and those holding duty-paid stocks might well have to cut their prices to move the goods. For a small retailer holding only 100 or so lighters this would not represent a great loss. But many wholesalers and large retailers hold

tens of thousands of duty paid lighters and a 50p duty reduction on each item would have a significant effect. There are no legal provisions for credit of duty in such circumstances and granting an extra-statutory concession to relieve traders' burdens would pose administrative problems and create a precedent that other traders might exploit should other duties go down or be abolished. Arguably the lighter trade, as potential beneficiaries from abolition, should be expected to resolve any short term financial problems.

Advance notice of abolition

9.4 This would give the trade an opportunity for a more orderly transition from duty-paid to duty-free stocks. However, there would be withholding of orders by wholesalers and retailers in anticipation of abolition of the duties resulting in a reduced duty yield for that period.

Abolition in two stages

9.5 The trade would guess that a duty reduction in the 1990 Budget, even if not so explained, was a first step towards abolition in 1991 or 1992. If phased over two years the trade loss on duty-paid stocks would be fully borne in the first year and limited through anticipation of abolition in the second. Revenue yield would reduce by approximately £20 million over two years but compliance and administrative costs would stay at the same level until abolition.

Conclusion and Recommendation

10.1 Abolition of these duties looks increasingly necessary in the run up to the Single European Market. But there are no compelling pressures for inclusion in the 1990 Budget. We do not see the abolition of only one duty as a starter, and think that abolition in stages is perhaps unnecessarily complicated for such minor revenue raisers. Our preference is for outright abolition, perhaps with some advance notice.

10.2 We cannot quantify the adverse effects on Bryant and May of either the DTI's action on quota restrictions or the abolition of these duties. Simultaneous action on both fronts, however, would seem to increase the chances of hastening the decline of the UK match industry and could pose presentational difficulties. These industrial considerations still have some weight and there is scope to accommodate them, just, for one more year.

10.3 On balance our recommendation is that abolition should be left for the Budget 1991. This would go some way towards meeting the needs of Bryant and May and would retain the duty yield for a further year.

10.4 You may find it helpful to have an oral briefing before deciding the way forward.

D A GAW

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Income Tax Allowances, Basic Rate Limit and Rates

**STARTER NUMBER:** 100 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| 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

**PURPOSE OF STARTER:** Conjunctural item: to set income tax rates and thresholds for 1990-91.

**KEY POINTS:** This starter includes thresholds: basic personal allowance and married couple's allowance, age-related allowances, basic rate limit

and rates: basic and higher rate

Cost of approximately 7 1/2 per cent price indexation of thresholds (£1700m for 1990-91, £2275m for 1991-92) is included in the forecast. Generally at least earnings indexation approx 9 1/2 per cent needed to ensure Revenue staff requirement does not rise next year compared with 1989-90. 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 in early to mid-November.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | B A Mace | **TELEPHONE:** | 3541 6546 |
| **OFFICIAL IN SUPPORT:** | P Wardle | **TELEPHONE:** | 3541 7349 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Benefits in Kind: Car and Car Fuel Scales

**STARTER NUMBER:** 101 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Likely to be small | | About 1 1/2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set the Schedule E benefit in kind "car scales" and "fuel scales" for 1990-91.

**KEY POINTS:** Basis of valuation: Following large increases of last two years, scope for further increases depends on Government's view of the proper basis for valuing the benefit and, of course, conjunctural factors. A major issue is how far - if at all - scales should continue to be reduced to reflect business mileage.
Structure of scales: To provide a fairer system, possible restructuring of scales in longer term, leading option being cost basis.
Linked issues: Mileage allowances (Starter No 102); £8,000 limit for capital allowances and leasing charges for cars.


**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** M Evershed **TELEPHONE:** 3541 7764

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Schedule E Expenses: Car Mileage Allowances

**STARTER NUMBER:** 102 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Depends on decisions Options range from small yield up to +£150m | | | Depends on decisions All options have significant transitional costs (up to +300 for 1990-91). Range from -100 to +200 beyond there. | | Depends on decisions, up to 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Unsatisfactory features of present administrative arrangements for taxing mileage allowances, and need for taxation of mileage allowances and company cars to be consistent.

**PURPOSE OF STARTER:** To substitute statutory basis for car mileage allowances for ineffective current arrangements.

**KEY POINTS:** Current regime: Administrative arrangements (FPCS) now out of line with law. FPCS exempts many taxpayers incorrectly and underassesses others (including some sensitive categories of taxpayer).
Rate of Allowance: Would need to be decided.
Staff Costs: Significant transitional staff costs unavoidable.

Changes likely to be controversial because present system is in practice generous.

**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** S S Wilcox **TELEPHONE:** 3541 6383

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue:** October 1989

**TITLE:** Schedule E Expenses: Training

**STARTER NUMBER:** 103 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Full year cost up to £40m (before any behavioural response) | | N/K | N/K | Up to 1 1/2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** DTI, DE and DES Budget Representations 1987 and 1988. Ministerial undertaking to consider.

**PURPOSE OF STARTER:**

To provide a new Schedule E expense allowance for training costs incurred by employees.

**KEY POINTS:**

Interdepartmental Working Group: Due to report in early December.

Current Revenue View: Case for a new relief has not yet been made. Ring fencing/definitions and high deadweight costs are against any change.


**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** S S Wilcox **TELEPHONE:** 3541 6383

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Benefits in Kind: Beneficial Loans

**STARTER NUMBER:** 104 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Small cost | | Depends on decisions - likely to be small | | About 1 page (but would depend on decisions) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from employers that present system can overcharge the benefit.

**PURPOSE OF STARTER:** To provide a fairer system which takes account of commercial developments since the original rules were introduced.

**KEY POINTS:** Current charge: Compares a single "official rate" of interest with interest charged by employer.
The Difficulty: Current "official rate" exceeds mortgage interest rate. Employees can face a benefit charge on the difference.
Possible solutions: To exempt loans made on commercial terms and/or introduce separate official rate for housing loans.
Other Issues: Further anomalies could be tackled eg present rules do not cater adequately for fixed interest/equity sharing loans.


**OFFICIAL IN LEAD:** C R Massingale **TELEPHONE:** 3541 6303

**OFFICIAL IN SUPPORT:** M Evershed **TELEPHONE:** 3541 7764

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Schedule E: Receipts Basis of Assessment

**STARTER NUMBER:** 105 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Probably small cost | | | Probably small cost | | 2-3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** New basis of assessment introduced by Sections 36-45 FA 1989

**PURPOSE OF STARTER:** To remedy anomalies in transitional provisions on which representations received too late to deal with in FA 1989. (And to deal with any further problems which surface in next few months.)

**KEY POINTS:** Previous FST agreed to keep new proposals in 1989 Act under close review - aware of two pressure points: (a) transitional relief provisions may cause some taxpayers to lose benefit of other reliefs (eg BES) for 1988-89; (b) some taxpayers previously assessed on accounts basis may lose significantly on transition to receipts basis. If pressure sufficiently strong and widespread, may need to consider early announcement of intention to provide some measure of relief since tax position for 1988-89 would be affected.


**OFFICIAL IN LEAD:** I Fraser **TELEPHONE:** 3541 6818

**OFFICIAL IN SUPPORT:** J Payne **TELEPHONE:** 3541 7211

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Mortgage Interest Relief Limit for 1990-91

**STARTER NUMBER:** 106 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Limit reimposed at £30,000 | | | | | |
| Nil | Nil | | Neg | Neg | Few lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To fix mortgage interest relief limit; must be done annually in Finance Bill.

**KEY POINTS:**

Limit introduced in 1974 at £25,000; increased to £30,000 in 1983 and since unchanged. Residence basis has operated since 1988.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | B O'Connor | **TELEPHONE:** | 3541 6218 |
| **OFFICIAL IN SUPPORT:** | A Orhnial | **TELEPHONE:** | 3541 6785 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Small Repayment Claims

**STARTER NUMBER:** 150 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Potentially very large staff cost if no solution can be found | | Depends on decisions |

Small interest due to tax-payers?

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To reduce the number of claims from individuals for payment of the tax credit attaching to small dividends.

**KEY POINTS:** As a result of Independent Taxation, the privatisation programme and building society developments, there is expected to be a very large increase in the number of small repayment claims over the next few years. A number of legislative and administrative options for dealing with this growth were outlined in a note sent to Ministers on 23 June 1989. Ministers decided that there should be an Efficiency Scrutiny of administrative options and that, separately but in parallel, there should be further work on some of the legislative options. Links with Starters No 153 (Encouragement for Savings) and No 206 (Building Societies).

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | S J McManus | **TELEPHONE:** | 3541 6768 |
| **OFFICIAL IN SUPPORT:** | D Shaw | **TELEPHONE:** | 3541 6832 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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** **Date of issue:** October 1989

**TITLE:** Pensions: Technical Changes

**STARTER NUMBER:** 151 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Nil | Nil | | Small staff saving (and avoids staff increase otherwise needed in SFO) | | 2/3 page (already drafted) for item 1 below; depends on decisions for item 2. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** 1. To permit regulations to be made tightening up some of the rules for existing small self-administered (ie largely director-controlled) pension schemes.
2. To correct any defects in the 1989 legislation requiring urgent attention - none identified so far.

**KEY POINTS:** Legislation on 1 above was prepared this year, but was not ready in time for inclusion in the Bill as published. Rather than introduce it at Committee, Ministers decided to leave it until 1990. At meeting on 25 July, Chancellor said there was much to be said for restricting action to 1. above, to let this year's changes bed down.


**OFFICIAL IN LEAD:** A W Kuczys **TELEPHONE:** 3541 6487

**OFFICIAL IN SUPPORT:** J D Hinton **TELEPHONE:** 3541 7565

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** SAYE

**STARTER NUMBER:** 152 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | Up to 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Lobbying by Abbey National

**PURPOSE OF STARTER:** To allow Banks, as well as Building Societies, to offer share-related SAYE; and to withdraw non-share-related SAYE altogether.

**KEY POINTS:**
See minute of 2 March 1989 from Financial Secretary to Chancellor, and Mr Taylor's response of 3 March, concluding that nothing should be done in 1989, but the combined package (including abolition of non-share-related SAYE) should be for 1990. Links with Starter 153 (Encouragement for Savings)

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A W Kuczys | **TELEPHONE:** | 3541 6487 |
| **OFFICIAL IN SUPPORT:** | A J Walker | **TELEPHONE:** | 3541 7237 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |
| **FIM CONTACT:** | G F Dickson | **TELEPHONE:** | 270 4491 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Encouragement for Savings

**STARTER NUMBER:** 153 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Could be significant cost: depends on decisions | | | Likely to be small | | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Treasury Ministers

**PURPOSE OF STARTER:** To give a further incentive to savings through the tax system.

**KEY POINTS:**

Chancellor has asked for work on possible measures to boost savings ratio (being carried out by Mr Riley, HMT). This starter covers the possibility of a PEP-type scheme of tax relief for general savings. Links with Starters 150 (Small Repayment Claims) and 152 (SAYE).

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | A W Kuczys | **TELEPHONE:** | 3541 6487 |
| **OFFICIAL IN SUPPORT:** | A J Walker | **TELEPHONE:** | 3541 7237 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Convertible and Index Linked Bonds

**STARTER NUMBER:** 154 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Under consideration |

**ORIGIN OF STARTER:** Ministerial commitment

**PURPOSE OF STARTER:** To devise suitable arrangements for apportioning yield on certain bonds issued on or after 9 June 1989 between income chargeable to income tax and gains chargeable to capital gains tax.

**KEY POINTS:**

Economic Secretary announced during Committee Stage of 1989 Bill that consultations would take place. Intention is to issue Consultation Paper in mid-October. Precise form of legislation depends on outcome.


**OFFICIAL IN LEAD:** B O'Connor **TELEPHONE:** 3541 6218

**OFFICIAL IN SUPPORT:** A Orhnial **TELEPHONE:** 3541 6785

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Main CT Rate for Financial Year 1990

**STARTER NUMBER:** 200 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Yield/cost of 1 per cent change: | | | Nil | Nil | 2 lines |
| Neg | 440 | 630 | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set main CT rate for Financial Year 1990.

**KEY POINTS:** Prior to the 1984 Business tax reforms the rates of corporation tax had normally been set in arrear. Rate for Financial Year 1990 does not have to be set until Budget 1991. But representative bodies have welcomed advance notice since 1984.


**OFFICIAL IN LEAD:** J H Reed **TELEPHONE:** 3541 6442

**OFFICIAL IN SUPPORT:** Miss B St Quinton **TELEPHONE:** 3541 6390

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Small Companies Rate of CT for Financial Year 1990

**STARTER NUMBER:** 201 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Yield/cost of 1 per cent change: | | | Nil | Nil | 2 lines |
| Neg | 35 | 50 | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set small companies rate of CT for Financial Year 1990.

**KEY POINTS:** Prior to the 1984 Business tax reforms the rates of corporation tax were normally set in arrear. Rate for Financial Year 1990 does not have to be set until Budget 1991. But representative bodies have welcomed advance notice since 1984. (Income limits for small companies rate increased in Finance Act 1989 - Ministers may wish to leave them unchanged.)


**OFFICIAL IN LEAD:** J H Reed **TELEPHONE:** 3541 6442

**OFFICIAL IN SUPPORT:** Miss B St Quinton **TELEPHONE:** 3541 6390

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Capital Allowances and VAT

**STARTER NUMBER:** 202 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** EC Sixth Directive on VAT

**PURPOSE OF STARTER:** To adapt capital allowances code to deal with changes in VAT treatment of a limited category of capital goods which are above a de minimis threshold.

**KEY POINTS:** VAT is included in cost of capital assets on which capital allowances may be due. Under EC Sixth Directive, amount of VAT can be varied on certain assets up to 9 years after purchase and so capital allowances affected. VAT regulations will not be finalised until late in 1989. They will apply to transactions after 1 April 1990 but will only alter the VAT due from 1 April 1991. Hence the capital allowances changes could be made in 1991. But it would probably be necessary to announce what the Government was going to do reasonably soon after the VAT changes pass into law. The legislation will be uncontroversial and could be included in a Schedule.


**OFFICIAL IN LEAD:** A J O'Brien **TELEPHONE:** 3541 6287

**OFFICIAL IN SUPPORT:** **TELEPHONE:** 3541

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Relief for Nuclear Decommissioning

**STARTER NUMBER:** 203 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Neg | Neg | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Energy

**PURPOSE OF STARTER:** To give immediate relief for long term capital provisions made for the cost of decommissioning nuclear reactors and other facilities.

**KEY POINTS:** No relief is due for provisions made currently to meet expected future capital expenditure. Because of the large costs of decommissioning the industry want a deduction for the money they need to set aside to meet these costs. Position under review following Magnox decision.


**OFFICIAL IN LEAD:** A J O'Brien **TELEPHONE:** 3541 6287

**OFFICIAL IN SUPPORT:** **TELEPHONE:**

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Trading Losses and Capital Gains

**STARTER NUMBER:** 204 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | -35 | -50 (first full year)<br>-15 (in the long run) | | +10 to 20 | At least 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Proposal by Lord Young as SoS, DTI; some outside representations

**PURPOSE OF STARTER:** To allow unincorporated businessmen to set unused trading losses against capital gains.

**KEY POINTS:** Chancellor has asked for this point - dropped as a starter in 1989 - to be considered as a starter for 1990.


**OFFICIAL IN LEAD:** M J G Elliott **TELEPHONE:** 3541 6252

**OFFICIAL IN SUPPORT:** Miss C M Brand **TELEPHONE:** 3541 6304

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Unit and Investment Trusts

**STARTER NUMBER:** 205 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Depends on decisions | | Depends on decisions. Could be small staff cost. | | Up to 20 pages depending on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from the industry

**PURPOSE OF STARTER:** To improve the ability of UK based collective investment vehicles to compete, particularly in EC. Also to provide a more level playing field for funds in domestic market.

**KEY POINTS:** Public commitment to review. Action may be desirable on a number of aspects: a transparent regime for authorised unit trusts; a composite rate scheme for money funds; the treatment of futures and options and rules about trading for authorised unit trusts; extensions to investment trusts; amendments to regime for unauthorised trusts.


**OFFICIAL IN LEAD:** A G Nield **TELEPHONE:** 3541 6412

**OFFICIAL IN SUPPORT:** M R Williams **TELEPHONE:** 3541 7517

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Building Societies

**STARTER NUMBER:** 206 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Neg | Neg | Depends on decisions and behavioural effects. Main staff costs would arise if changes mean married women can claim repayments. Could be substantial if many societies issue new capital. | | Up to 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from Building Societies and Building Societies Commission.

**PURPOSE OF STARTER:** To adapt tax system to cope with new forms of capital to be issued by building societies.

**KEY POINTS:** Ministers are committed to considering tax consequences of new forms of capital which BSC are prepared to designate. BSCs have not yet put forward any proposals. If BSC and building societies are prepared to accept minimalist scheme, legislation might be quite short. Link with Starter 150 (Small Repayment Claims).


**OFFICIAL IN LEAD:** A G Nield **TELEPHONE:** 3541 6412

**OFFICIAL IN SUPPORT:** M R Williams **TELEPHONE:** 3541 7517

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Life Assurance: Second Stage Measures

**STARTER NUMBER:** 207 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +15 | +50 | | Nil | -10 | 15-20 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Second stage of Reform announced in Budget 1989

**PURPOSE OF STARTER:** To complete reform of life assurance taxation as respects: (i) captive unit trusts; (ii) policy holder taxation; (iii) reassurance business; (iv) identification of assets etc by class of business and (v) international business.

**KEY POINTS:** Main structural measures in Finance Act 1989. Consultation on more specialised second stage measures announced in Budget 1989, now under way. Some (but not all) ingredients need to come into effect from 1 January 1990, hence announcement by end 1989. Topics above listed broadly in descending order of likely controversy. Treatment of transitional issues likely to be important. Yield could be significantly greater than shown in medium and long term and include contribution from blocking future avoidance not reflected in current forecasts.


**OFFICIAL IN LEAD:** M Haigh/R C Mountain **TELEPHONE:** 3541 6646/7258

**OFFICIAL IN SUPPORT:** D Hallam **TELEPHONE:** 3541 7343

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** CGT: Annual Exempt Amount

**STARTER NUMBER:** 250 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1991/92 | 1992/93 | |
| Forecasts assume revalorisation. Extra yield if no revalorisation: | | | No staff effect assuming revalorisation; if no revalorisation, staff addition of: | | Few lines (in event of non-revalorisation) |
| Nil | +10 | +15 | +15 | +30 | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| Chancellor | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set the annual exempt amount for 1990-91 for individuals and trusts.

**KEY POINTS:** Annual exempt amount frozen at its 1988-89 level for 1989-90 (£5,000 for individuals and £2,500 for most trustees). Introduction of Independent Taxation in April 1990 will mean husband and wife will each have their own exempt amount. In the absence of a specific measure the amount will increase automatically under the statutory indexation formula and this is assumed in forecasts.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | M F Cayley | **TELEPHONE:** | 3541 7427 |
| **OFFICIAL IN SUPPORT:** | Miss R A Dyall | **TELEPHONE:** | 3541 7571 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** CGT: Convertible Bonds

**STARTER NUMBER:** 251 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| In medium term, tax at risk if no action taken might be up to £40m: could be more in long term. | | Neg | Neg | 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| | |

| FST | No |
|---|---|

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To extend the existing exemption from CGT for qualifying corporate bonds to bonds convertible into qualifying corporate bonds and to exclude bonds issued by a subsidiary and convertible into shares of a quoted parent.

**KEY POINTS:** Changes will close two loopholes in the definition of a qualifying corporate bond which could be exploited to obtain indexation losses. Previous experience indicates that once avoidance possibilities are recognised tax driven issues increase very sharply.

Could form part of a package on convertibles following the 1989 legislation on deep gain securities. Link with Starter No 154 (Convertible and Index-linked Bonds).

**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue:** October 1989

**TITLE:** Capital Gains: Capital Loss Buying

**STARTER NUMBER:** 252 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Risk of tax loss of over £100m a year if no action taken. | | Neg | Neg | Depends on decisions but probably not less than 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To counter avoidance by groups of companies with accrued gains buying companies with accrued losses and using tax-free intra-group transfers to bring the two together.

**KEY POINTS:** The Revenue has recently lost the cases of News International v Shepherd and Shepherd v Lyntress in the High Court on this issue. An appeal has been lodged but with little hope of success. Decision illustrates that Furniss v Dawson is no longer an adequate defence against this type of avoidance. Tax loss in those cases alone could be c. £150m.

**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** CGT: Redemptions and Reductions of Share Capital

**STARTER NUMBER:** 253 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Depending on outcome of legal advice, in medium to long term tax at risk could run to several hundred millions | | Neg | Neg | About 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent avoidance through share redemptions and reductions of share capital.

**KEY POINTS:** Anomalies in the law mean that on a share redemption or reduction a capital loss may arise for tax purposes in the hands of corporate shareholders even though a profit is really being made by the shareholder. Some evidence of tax planning to take advantage of this in some large cases. We know of one existing case where tax involved could be around £75m. We are seeking legal advice on the strength of existing defences and as the position is complex it may be late in the season before it is clear whether legislation is necessary.


**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Miss R A Dyall/Ms P Dixon **TELEPHONE:** 3541 7571/6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** CGT: Non-residents: Conversion of UK Branch into UK Incorporated Subsidiary

**STARTER NUMBER:** 254 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Neg | | Neg | Neg | Depends on decisions. Could be up to 3 pages. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Representations from ABSAL supported by DTI, SIB and Bank of England

**PURPOSE OF STARTER:** To avoid an immediate capital gains tax charge on conversion of a branch of a non-UK resident company into a UK incorporated subsidiary.

**KEY POINTS:** Capital gains charges may arise on the conversion of a UK branch into a UK company. The Securities and Investment Board are compelling some foreign financial institutions to turn their UK branches into UK companies. We have received representations that the capital gains charges should be removed and replaced with deferral until the successor company sells the assets.


**OFFICIAL IN LEAD:** M F Cayley **TELEPHONE:** 3541 7427

**OFFICIAL IN SUPPORT:** Ms P Dixon **TELEPHONE:** 3541 6739

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Threshold and Rate

**STARTER NUMBER:** 255 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| See Key Points | | | Indexation alone will reduce the workload marginally (by 6 per cent) and the staff needs. | | 1/2 page (if no automatic indexation) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To set the threshold and rate for the payment of IHT.

**KEY POINTS:**

1. In the absence of a clause the threshold will be automatically indexed with costs (already assumed in the current forecast) of £30m in 1990-91, £65m in 1991-92 and £75m in a full year.

2. Indexation alone is likely to increase the threshold from £118,000 to £126,000 and reduce the number of taxpaying cases from 24,500 to 23,000.


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** Mrs C Evans **TELEPHONE:** 3541 6478

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Abolition of Nil Rate

**STARTER NUMBER:** 256 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Nil | Nil | | Nil | Nil | At least 4 pages - probably more. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Chancellor

**PURPOSE OF STARTER:** To eliminate the "nil" rate band that applies to all taxable estates below the threshold.

**KEY POINTS:** The nil or zero rate is a concept common to both IHT and VAT. The amount of tax on zero-rated supplies is nil but they are still taxable supplies. Similarly a "chargeable transfer" includes property within the nil rate band. Because it is an integral part of the structure of the tax Counsel advises that to get rid of the nil rate will involve at best extensive and complicated rewriting of IHT. If Ministers thought this sufficient, we could probably abolish the prominent Table in Schedule I while retaining the nil rate. (VAT has no such table.)


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** Mrs C Evans **TELEPHONE:** 3541 6478

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Instruments of Variation

**STARTER NUMBER:** 257 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions | | | Depends on decisions | | Depends on decisions |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Treasury Ministers

**PURPOSE OF STARTER:** To limit the extent to which the distribution of an estate can be rearranged post-death to obtain a tax advantage retrospectively.

**KEY POINTS:**

The (then) Financial Secretary when withdrawing a general measure to this effect from the 1989 Finance Bill indicated that a more targeted measure to counter abuse may be put forward in 1990 while acknowledging that it was not easy to find a way of doing so.


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** A Ashcroft **TELEPHONE:** 3541 7498

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Partly Exempt Transfers

**STARTER NUMBER:** 258 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Up to £40m pa potentially at risk | | Nil | Nil | 1/2 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To correct a defect in the rules for apportioning value between exempt and chargeable gifts.

**KEY POINTS:** 1. If we do not legislate we shall have to make public by Statement of Practice a change of interpretation which gives an opportunity for avoidance.
2. Recent legal advice means that where a transfer is partly exempt the tax payable on the chargeable part can be reduced simply by sub-dividing the transfer into different funds.
3. eg property in settlement devolves as to a cash legacy of £200,000 to the son, remainder to surviving spouse. By creating two settlements instead of one - each giving £100,000 legacy to son - the tax payable on total £200,000 going to son is reduced by about £22,000.


**OFFICIAL IN LEAD:** L E Jaundoo **TELEPHONE:** 3541 6459

**OFFICIAL IN SUPPORT:** Mrs C Evans **TELEPHONE:** 3541 6478

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Interests in Possession

**STARTER NUMBER:** 259 **CLASSIFICATION:** C

| | Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|---|
| | 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| i | Neg | Neg | + 5 to 10 possibly more | Nil | Nil | 1/2 page |
| ii | N/K | N/K | | Nil | Nil | 1/2 page |

| | |
|---|---|
| Minister in lead | **PCTA or equivalent resolution required** |
| FST | Yes |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:**

Item i To alter way of taxing interest in possession (IIP) which terminates in the lifetime of a life tenant.

Item ii To make gifts with reservation (GWR) rules apply on termination of IIP otherwise than by voluntary act of life tenant (eg by exercise of trustees' overriding powers).

**KEY POINTS:**

Item i a. If not done, new interpretation of law will need to be published causing tax loss - reflected in current forecast: probably £5m-£15m but (depending on behavioural changes) could be several millions higher.

b. Legislation would reverse recent legal advice that existing law requires charge to be based on actual value of assets concerned and not on "aggregation" basis hitherto in use.

c. Option to go beyond restoring "aggregation" basis and substitute full "loss to estate" treatment. Yield then £5m 1990/91, £10m 1991/92 rising eventually to £30m-£35m in a full year.

Item ii Not worthwhile alone but can be linked conveniently with item i. Discarded for 1989 - "can wait another year". Corrects anomaly inadvertently left by 1986 introduction of GWR rules. Some potential tax loss (unquantifiable) while anomaly remains.


**OFFICIAL IN LEAD:** H B Thompson **TELEPHONE:** 3541 6334

**OFFICIAL IN SUPPORT:** A Ashcroft **TELEPHONE:** 3541 7498

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** IHT: Heritage Maintenance Funds

**STARTER NUMBER:** 260 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| - | (unquantifiable - likely to be small) | | Nil | Nil | Perhaps 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Commitment to consider given in Finance Bill debates

**PURPOSE OF STARTER:** To allow maintenance fund assets to be used for improvement of heritage property, to increase its income potential.

**KEY POINTS:**

Proposal unacceptable as made - risks of abuse. Modified version might be feasible, perhaps without legislation - possibilities to be explored with Historic Houses Association.


**OFFICIAL IN LEAD:** H B Thompson **TELEPHONE:** 3541 6334

**OFFICIAL IN SUPPORT:** J G Marchant **TELEPHONE:** 3541 6583

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Stamp Duty: Rates and Threshold

**STARTER NUMBER:** 300 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| ---------- | | | Depends on option(s) chosen | | ---------- |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Yes |

**ORIGIN OF STARTER:** Annual Budget Starter

**PURPOSE OF STARTER:** To change either or both of the present 1% stamp duty charge on houses and land and/or the 0.5% rate on shares. Additionally or alternatively the present £30,000 threshold for houses and land could be raised.

**KEY POINTS:** Stamp duty on shares currently yields £0.8bn. Complete abolition seriously considered last year. "Market force" arguments for abolition or reduction perhaps even stronger as 1992 draws nearer. But now seems that duty - at either 0.5% or 0.25% rate - can cope with TAURUS, albeit at some staff and legislative cost (see Starter 301).

Pressure on duty on houses and land largely relates to threshold, not rate. Present threshold fixed in 1984, since when average house prices have increased by 130%. To increase the threshold in line with general inflation since 1984 would mean increasing it to £45,000 (at an annual cost of around £100m); a £65,000 threshold (annual cost of £260m) would be required to keep up with average house prices.


**OFFICIAL IN LEAD:** Miss M A Hill **TELEPHONE:** 3541 6409

**OFFICIAL IN SUPPORT:** N B Adderley **TELEPHONE:** 3541 6605

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Stamp Duty and SDRT on Shares: TAURUS

**STARTER NUMBER:** 301 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | +10 | +10 | 5-10 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Stock Exchange and DTI

**PURPOSE OF STARTER:** To amend primary legislation to accommodate paperless share transfers (ie systems such as TAURUS). Needed to protect duty in some cases; to provide relief in others and to enable a sensible operational system to be set up.

**KEY POINTS:** 1989 Finance Act contained interim Regulation-making powers to cater for expected TAURUS pilots etc. At the same time primary legislation promised for 1990 Finance Bill. In the event Stock Exchange's timetable slipped, and full TAURUS now unlikely before end 1990. But revised timetable still points to legislating in 1990 Bill, if duty on shares not to be abolished altogether (see Starter 300).

Stock Exchange still to firm up on TAURUS system details: final decisions will determine some - but not all - of the Finance Bill provisions.


**OFFICIAL IN LEAD:** Miss M A Hill **TELEPHONE:** 3541 6409

**OFFICIAL IN SUPPORT:** N B Adderley **TELEPHONE:** 3541 6605

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Oil Abandonment: PRT/CT Reliefs

**STARTER NUMBER:** 350 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg (revenue effects spread over 20 years or so. Cost therefore highly uncertain but currently estimated at some £80m in undiscounted 1988 prices, mostly incurred between 1995 and 2005) | Neg | | Nil | Nil | 10-15 pages (assumes only main measures in 1990 Bill; technical measures deferred to 1991) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Oil Industry (UKOOA) proposals

**PURPOSE OF STARTER:** To rationalise present system of tax reliefs for North Sea oil abandonment expenditure and prevent distortions to company behaviour.

**KEY POINTS:** For CT - a new capital allowance to give immediate relief; extension to 3 years re carryback of losses; change in CT timing arrangements for PRT repayments. For PRT - restriction of interest on PRT repayments. Also CT and PRT relief for guarantee fees.


**OFFICIAL IN LEAD:** C D Sullivan **TELEPHONE:** 3541 6576

**OFFICIAL IN SUPPORT:** J Evans **TELEPHONE:** 3541 6018

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Oil Abandonment: Capital Losses

**STARTER NUMBER:** 351 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Neg (could prevent very large losses in future years, which would build up potentially to some hundreds of millions as time progresses. Over half the cost, if no action, likely to arise within 5 years or so of year 2000) | Neg | | Nil | Nil | 1-2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent oil companies realising large artificial capital losses on sale or surrender of oil licences.

**KEY POINTS:** The indexation allowance, based on 1982 values, allows oil companies who acquired licences before that date to generate some very large artificial capital losses. These potential losses build up (possibly to some £15bn or so) as licences fall in value towards field abandonment but will only crystallise as licences expire or are surrendered/disposed of. The measure will prevent indexation creating these artificial losses.


**OFFICIAL IN LEAD:** C D Sullivan **TELEPHONE:** 3541 6576

**OFFICIAL IN SUPPORT:** J Evans **TELEPHONE:** 3541 6018

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** PRT: Keith-related Issues

**STARTER NUMBER:** 352 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +30 (figure highly volatile and can only be used as indicator. Based on tax, interest and penalties at risk from current investigations. The number of, and yield from, investigations will inevitably fluctuate from year to year.) | | | Nil | Nil | 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To provide clear statutory backing for the recovery of tax in older, incorrect, expenditure claims cases.

**KEY POINTS:** Keith Committee proposals on PRT and related issues are being reviewed. Initial submission to Ministers in Autumn likely to recommend further work on detail, consultation with industry in 1990, and legislation for later year(s). But at least one issue may need addressing earlier: Revenue has now discovered incorrect (and negligent) expenditure claims where decisions to allow them were given more than 3 years previously. To withdraw incorrect relief, or prevent multiple relief being given, requires this time-bar to be removed for culpable cases.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | C D Sullivan | **TELEPHONE:** | 3541 6576 |
| **OFFICIAL IN SUPPORT:** | J D Willmer | **TELEPHONE:** | 3541 7437 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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** Date of issue: October 1989

**TITLE:** Tax Rules for European Economic Interest Groupings (EEIGs)

**STARTER NUMBER:** 400 **CLASSIFICATION:** B1

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Neg | Neg | 3-4 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

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

**PURPOSE OF STARTER:** The Regulation is directly applicable in UK law from 1 July 1989, but Technical legislation is needed on matters of detail so as to make it effective.

**KEY POINTS:** Legislation deferred from last year. 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.


**OFFICIAL IN LEAD:** J B Shepherd/Miss R A Dyall **TELEPHONE:** 3541 7019/7571

**OFFICIAL IN SUPPORT:** P A Michael **TELEPHONE:** 3541 6362

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Thin Capitalisation

**STARTER NUMBER:** 401 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|
| Substantial revenue at risk - in region of £100m a year - if no action taken | | Neg | Neg | Depends on decisions. Could be up to 10 pages. |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | Under consideration |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** Provisions to deal with thin capitalisation (ie foreign owned groups placing a disproportionate amount of their worldwide debt in the UK so as to reduce or eliminate the taxable profits of their UK activities).

**KEY POINTS:** Existing UK legislation to combat thin capitalisation being circumvented by indirect financing arrangements. Chancellor has commented that there is a very strong case for legislation (which is likely to be controversial) but that it is a fiendishly complex area and action in 1990 is unlikely. However, Ministers have agreed that Parliamentary Counsel be instructed on a contingency basis. If legislation is to be introduced there is a Ministerial commitment to prior consultation.


**OFFICIAL IN LEAD:** P W Fawcett **TELEPHONE:** 3541 6497

**OFFICIAL IN SUPPORT:** P A Michael **TELEPHONE:** 3541 6362

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Sovereign Immunity

**STARTER NUMBER:** 402 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Possibly +100 if most radical option adopted | | | Neg | Neg | Possibly 3 pages, but highly uncertain |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Chancellor

**PURPOSE OF STARTER:** To reduce tax immunity of foreign Heads of State and foreign and Commonwealth Governments to bring UK more into line with other countries.

**KEY POINTS:** 1. Considered as possible starter last year but dropped in light of BP/KIO issue.

2. Could be highly controversial (with implications for UK investment); need for careful handling and (possibly) discussion with eg FCO and DTI.

3. Paper on options to Ministers by end October.

**OFFICIAL IN LEAD:** J P B Bryce **TELEPHONE:** 3541 6372

**OFFICIAL IN SUPPORT:** G F E Cook **TELEPHONE:** 3541 6654

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Dual Resident Companies: Avoidance Through Double Taxation Treaties

**STARTER NUMBER:** 403 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Prevents potentially substantial loss of tax. | | | Neg | Neg | 2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To prevent abuse of provisions dealing with controlled foreign companies and the transfer of assets abroad; and exploitation of the capital gains reliefs for groups of companies.

**KEY POINTS:** 1. Anti-avoidance provisions can be sidestepped by use of companies which are UK resident but are treated (under a double taxation treaty) as resident in the other country for treaty purposes.
2. A resident member of a group may:
(i) transfer assets at no gain/no loss to a dual resident member;
(ii) rollover gains on an asset to an asset acquired by a dual resident member;
and the relevant assets may be outside the UK tax charge.
3. Legislation would be pre-emptive - no evidence of tax loss to date.


| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | J P B Bryce (IT & CT)<br>M F Cayley (CGT) | **TELEPHONE:** | 3541 6372<br>3541 7427 |
| **OFFICIAL IN SUPPORT:** | S Walton (IT & CT)<br>Miss R A Dyall (CGT) | **TELEPHONE:** | 3541 6254<br>3541 7571 |
| **FP CONTACT:** | J F Gilhooly | **TELEPHONE:** | 270 4550 |


* **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.

CONFIDENTIAL

**BUDGET STARTER: REFERENCE SHEET** **Date of issue:** October 1989

**TITLE:** Non-resident Trusts

**STARTER NUMBER:** 404 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) 1990/91 | 1991/92 | (Full year) | Staff effects* 1/4/91 | 1/4/92 | Length of legislation* |
|---|---|---|---|---|---|
| Could build up to a significant yield | | | Some increase but unlikely to be significant | | Up to 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** General Review of trusts (announced by previous FST in June 1988)

**PURPOSE OF STARTER:** To impose effective tax charge on non-resident settlements set up by UK residents.

**KEY POINTS:** 1. Present exploitation of lack of effective charge on capital gains arising in overseas settlements; no charge on the UK resident settlor even if he has an interest in the settlement (cf 1988 provisions on resident trusts), and no charge on accrued gains when trust emigrates.

2. Radical approach would impose charge on all UK settlors of overseas trusts. Alternative would be to extend 1988 provisions to overseas trusts and introduce exit charge on emigration.

3. Transitional provisions important for existing overseas trusts.


**OFFICIAL IN LEAD:** J P B Bryce **TELEPHONE:** 3541 6372

**OFFICIAL IN SUPPORT:** D I Richardson **TELEPHONE:** 3541 6205

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Post-consolidation Amendments: A - ICTA 1988
B - Capital Allowances

**STARTER NUMBER:** 450 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions but should be very small. | | | Neg | Neg | About 5 pages |

**Minister in lead** **PCTA or equivalent resolution required**

FST No

**ORIGIN OF STARTER:** Inland Revenue

**PURPOSE OF STARTER:** To correct defects and anomalies found following the consolidation of the Income and Corporation Taxes Acts in 1988 and during the process of consolidating the capital allowances legislation.

**KEY POINTS:** The package will mainly consist of minor technical items. The capital allowances items were identified in April 1989 but the (then) FST said he would prefer to defer legislation to 1990. The Capital Allowances Consolidation Bill will be introduced in Autumn 1989 and will come into effect from April 1990.

The provisions required are uncontroversial and could be included in a Schedule.

**OFFICIAL IN LEAD:** A - S J McManus **TELEPHONE:** 3541 6768
B - A J O'Brien 3541 6287

**OFFICIAL IN SUPPORT:** A - D Shaw **TELEPHONE:** 3541 6832
B -

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue: October 1989**

**TITLE:** Claims Under Pay and File

**STARTER NUMBER:** 451 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | 5 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Discussions with representative bodies

**PURPOSE OF STARTER:** To introduce new procedural rules and time limits for claiming reliefs under Corporation Tax Pay and File.

**KEY POINTS:** 1. Detailed proposals are being worked out in consultation with the representative bodies.
2. Proposals are designed to be deregulatory and to give companies greater flexibility, but may not go as far as representative bodies would like.
3. Legislation is needed in FB 1990 in order to implement CT Pay and File in 1993, as announced.
4. Proposals are designed to make Pay and File both simpler and more efficient than the present system for administering corporation tax, leading to administrative savings for both companies and the Revenue when Pay and File is fully implemented.


**OFFICIAL IN LEAD:** D L Shaw **TELEPHONE:** 3541 6300

**OFFICIAL IN SUPPORT:** Mrs J Banner **TELEPHONE:** 3541 6690

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Assessing Procedures and Returns

**STARTER NUMBER:** 452 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | Neg | cost neutral (larger numbers of staff required but at lower grades) | | 3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** 1989 Efficiency Scrutiny of Schedule D Procedures

**PURPOSE OF STARTER:** To confirm validity of assessment by clerical staff and more flexible design of personal tax returns.

**KEY POINTS:** 1. Legislation needed to implement 1989 Efficiency Scrutiny of Schedule D Procedures.

2. Legislation probably fairly non-controversial except that it must be fully retrospective.

3. Full extent of changes needed not yet known, but will be wider than Schedule D eg to include clerical procedures on PAYE.

4. Staff effects will be +80 from 1992/93 on, but are cost neutral through regrading of work.

**OFFICIAL IN LEAD:** D L Shaw **TELEPHONE:** 3541 6300

**OFFICIAL IN SUPPORT:** Mrs J Banner **TELEPHONE:** 3541 6690

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550

* **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** **Date of issue:** October 1989

**TITLE:** Appeal Commissioners

**STARTER NUMBER:** 453 **CLASSIFICATION:** B2

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | Between 1/2 and 6 pages (probably on shorter side) |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Recommendations of the Keith Committee

**PURPOSE OF STARTER:** To facilitate introduction of procedural rules and changes of name for General and Special Commissioners.

**KEY POINTS:**

1. Government is committed to further consultation on procedural rules and change of name with indication of early action.

2. Government under strong pressure from Council on Tribunals for early legislation.

3. But need for, and form of, legislation depend on decisions to be taken by the Lord Chancellor on timing of transfer of responsibility for the Commissioners to the LCD. His decision is expected shortly.


**OFFICIAL IN LEAD:** D L Shaw **TELEPHONE:** 3541 6300

**OFFICIAL IN SUPPORT:** Mrs J Gomes **TELEPHONE:** 3541 6122

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Electricity Privatisation Consequentials: Stamp Duty

**STARTER NUMBER:** 454A **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on details of flotation | | | Neg | Neg | 1-2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Energy; Industry Department for Scotland

**PURPOSE OF STARTER:** To put flotation on same footing for SD/SDRT as other privatisations. Means removing any charges which arise if Department of Energy decide to use a corporate security (the so-called "industry share" or "composite unit").

**KEY POINTS:** Ministers have agreed in principle to legislate both on this point and on the provisions for employee share schemes in the new Electricity Companies (see Starter 454B). Delay in finalising the structure of the flotation meant these points had to be deferred from Electricity Bill itself. Even now, Department of Energy have made no final decision to use composite unit, so starter provisional only.

As with the employee priority legislation, a pre-Budget announcement of any SD/SDRT measures necessary may be appropriate, depending on the privatisation timetable.


**OFFICIAL IN LEAD:** Miss M A Hill **TELEPHONE:** 3541 6409

**OFFICIAL IN SUPPORT:** N B Adderley **TELEPHONE:** 3541 6605

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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** **Date of issue:** October 1989

**TITLE:** Electricity Privatisation Consequentials: Taxation of Employee Priority

**STARTER NUMBER:** 454B **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg | Neg | | Nil | Nil | Up to 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Energy; Industry Department for Scotland

**PURPOSE OF STARTER:** To enable employees of electricity industry to benefit, on privatisation, from present income tax exemption for employee priority in public offer of shares.

**KEY POINTS:** Likely structure of post-privatisation electricity industry may prevent employees of some companies from qualifying for the tax relief for employee priority share allocations ("similar terms" priority may not be possible).

Special amendments may be needed to cater also for Magnox employees.

Pre-Budget announcement may be needed, depending on privatisation timetable.


**OFFICIAL IN LEAD:** J D Farmer **TELEPHONE:** 3541 7652

**OFFICIAL IN SUPPORT:** Mrs A Majer **TELEPHONE:** 3541 7790

**FP CONTACT:** J F Gilhooly **TELEPHONE:** 270 4550


* **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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** TRICYCLES TO PRIVATE AND LIGHT GOODS

**STARTER NUMBER:** 600 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

TRANS PORT

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose to remove (57,000) tricycles from tricycle taxation class where currently pay £40 (same rate as biggest motor cycles) to the Private and Light Goods tax class (VED Rate £100). Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** MOTOR CYCLES : ONE RATE

**STARTER NUMBER:** 601 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| +20 | +22 | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Motorcycles are currently taxed by cubic capacity and there are three tax bands - under 150cc - £10, 150cc - 250cc, £20 and over 250cc, £40. Propose that motorcycles are no longer taxed by cc but pay a single rate of duty (£40). Change will generate the same tax to cost ratiofor motorcycles as currently exists for cars. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** PEDESTRIAN CONTROLLED VEHICLES - remove from licensing and registration

**STARTER NUMBER:** 602 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

There are about 89 licensed pedestrian controlled vehicles (generally used for road and roadside maintenance) which pay VED of £10 for smallest and £20 for each other type. Propose to remove these vehicles from the requirement to register or license. Will be useful deregulatory measure with positive benefits for Local Authorities. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will not be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** CONCESSION FOR VEHICLES OVER 25 YEARS OLD

**STARTER NUMBER:** 603 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Private and Light Goods vehicles (PLG) - cars constructed before 1 January 1947 pay 60% of the £100 VED rate and motorcycles over 250cc and 101.6kgs before 1 January 1933 pay half the £40 motorcycle rate. Propose to extend the concession for all vehicles (estimate 15,000 per year) constructed over 25 years ago. Where computer records permit - changes will be dealt with automatically. Expected to reduce administrative costs in future. Will be welcomed by the AA, RAC and vintage vehicle association. Not controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** GENERAL HAULAGE VEHICLES SINGLE RATE

**STARTER NUMBER:** 604 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NIL | NIL | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

General Haulage Tax class (5,000 vehicles) has 8+ tax bands and concessionary rates for Showmens haulage vehicles. Propose to remove concession for Showmen's Haulage vehicles and introduce one rate of VED for all haulage vehicles. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Could be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** RIGIDS GOODS VEHICLES : VED RATE INCREASES
ABOLITION OF SEPARATE RATE OF VED FOR SHOWMENS AND FARMERS VEHICLES.

**STARTER NUMBER:** 605 **CLASSIFICATION: A**

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Opt.1 +110 | +110 | | NEG | NEG | N/K |
| Opt.2 +50 | +50 | (reduces assumed 5% revalorisation by 0.5%) | | | |
| Opt.3 +20 | +20 | (reduces assumed 5% revalorisation by 1.0%) | | | |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose to increase level of VED (£160-£1250) for 170,000 rigid goods vehicles to correct the increasing imbalance in the level of excess from motoring tax over allocated track costs between Artics and Rigids. Also, to abolish the concessionary rate of VED for Showmens and Farmers Rigid vehicles (will be welcomed by Haulage Industry). Revenue implications will vary depending on the level of the increase - will be discussed in further detail in Budget submission to Chancellor. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** ARTICULATED GOODS VEHICLES : VED INCREASES AND DECREASES ABOLITION OF CONCESSIONARY RATES FOR FARMERS AND SHOWMEN'S VEHICLES.

**STARTER NUMBER:** 606 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| REVENUE NEUTRAL | | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Propose revenue neutral increases and decreases in VED rates for 6,070 articulated vehicles over 12,00kgs - to help correct the imbalance in the level of the excess from motoring tax over allocated track costs between rigids and artics and help reduce the existing number of tax bands. Also, propose to abolish the concessionary VED rates for equivalent Farmers and Showmen's vehicles. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** FARMERS AND SHOWMEN UNDER 1525 ulw to PLG

**STARTER NUMBER:** 607 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Farmers (39,000) and Showmen (300) under 1525kgs enjoy concessionary rate of £75. Proposal is to remove concessions for all Farmers and Showmens vehicles - pay the Private and Light Goods Rate (PLG) of £100. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** ABOLITION OF FARMERS AND SHOWMEN'S RATES FOR GOODS VEHICLES UP TO 12,000kgs GROSS WEIGHT.

**STARTER NUMBER:** 608 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Goods vehicles up to 7,500kgs pay £130 VED, whilst goods vehicles up to 12,000kgs pay £290. Concessionary rates of £90 and £175 exist for equivalent Farmers and Showmen's vehicles. Propose to abolish the concession for Farmers and Showman's vehicles. This will mean increases of £10 and £40 for 10,500 vehicles under 7,500kgs (£10 for those under 3,500kgs benefiting from threshold change - Starter 610) and £115 for 2,000 Farmers vehicles and £200 for 100 Showmen's vehicles over 12,000kgs. Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** RESTRICTED HEAVY GOODS VEHICLES - Abolition of Farmers' and Showmen's concessionary rates

**STARTER NUMBER:** 609 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Vehicles in the restricted heavy goods vehicle class pay £130 or £90 VED if qualify for the Farmers or Showmen's concession. Propose to abolish the concessionary rate for Farmers and Showmen's vehicles - will mean increases of £10 or £40 for about 10,000 vehicle keepers (£10 for those under 3,500kgs benefiting from threshold change - Starter 610). Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** PLATING AND TESTING THRESHOLD CHANGE

**STARTER NUMBER:** 610 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -3 | -6 | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To increase, from 1 October 1990, the weight threshold for the taxation of HGVs from 1525kgs unladen weight to 3,500kgs gross weight, in line with the change to goods vehicle plating and testing. This will result in 200,000 light goods vehicles changing from the HGV tax class (VED- £130) to the PLG tax class (VED-£100).

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** TRAILER DUTY : ONE RATE
Abolition of Farmers and Showmen's concession

**STARTER NUMBER:** 611 **CLASSIFICATION:** A

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NEG | NEG | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

Trailer duty currently consists of five tax bands and concessionary rates for Showmens. We propose one rate of duty for all trailers and abolition of the concessionary rates for Showmen's vehicles. Will mean increases in duty for about 600 trailers (duty is payable on the drawing vehicle).Part of major simplification exercise to rationalise the existing vehicle taxation structure. Will be controversial.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

fp.nh/ks/108

Date of issue: 4 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE: Special Types : VED rate increase**

**STARTER NUMBER: 612** **CLASSIFICATION: A**

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER: DTp**

**PURPOSE OF STARTER AND KEY POINTS**

Propose to peg the single rate of duty for Special types to the maximum VED rate for heavy goods vehicles. Changes in the maximum HGV rate have not been agreed (Starter 606) but need to place marker to ensure any increases are reflected.

**OFFICIAL IN LEAD: H C DREWENT** **TELEPHONE 1213 2430**

**OFFICIAL IN SUPPORT: R OLIVER** **TELEPHONE 1213 2053**

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** REFUND OF FEES

**STARTER NUMBER:** 630 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| NIL | NIL | NIL | NIL | 3/4 LINES |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To place on statutory basis the refund of fees in cases where such refunds are currently ultra vires, as identified by the Joint Committee on Statutory Instruments. The clause will rectify the legal deficiency accross Departments and remove the need for HM Treasury to treat refunds as ex gratia payments.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** PRE-CONSOLIDATION AMENDMENTS (including the repeal of the NI Act 1972 and the extension of the 1971 Act to NI)

**STARTER NUMBER:** 631 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| -NEG | -NEG | | NIL | NIL | N/K |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | No |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To remove transitional provisions from Schedule 7 of the 1971 Act into the main body of the Act. To repeal the NI Act 1972 and extend the V(E)Act 1971 to NI. The 1972 Act is virtually identical to the 1971 Act and by repealing an entire Act it will halve the Finance Bill space needed for subsequent amendments covering GB and NI.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

**CONFIDENTIAL**

**Date of issue:** 4 October 1989

**BUDGET STARTER:REFERENCE SHEET**

**TITLE:** VOLUNTARY BUSES FOR DISABLED PEOPLE (definition of Ambulance and New Welfare Vehicle Taxation Classes)

**STARTER NUMBER:** 632 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|
| 1990/91 | 1991/92 (Full year) | 1/4/91 | 1/4/92 | |
| -NEG | -NEG | NIL | NIL | 10 LINES |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| PMG | YES |

**ORIGIN OF STARTER:** DTp

**PURPOSE OF STARTER AND ANY KEY POINTS:**

To introduce a definition, with stricter criteria, for the existing 'Ambulance' class which would only include 'emergency' type ambulances.

To introduce a definition and class for 'Welfare Vehicles' to cater for those vehicles removed from the existing 'Ambulance' class, operated by voluntary organisations for the benefit of the disabled.

Both classes to remain exempt from VED, though there is a possibility that a greater number of Welfare Organisations will claim the exemption.

**OFFICIAL IN LEAD:** H C DERWENT **TELEPHONE** 1213 2430

**OFFICIAL IN SUPPORT:** R OLIVER **TELEPHONE** 1213 2053

**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.

fp.nh/ks/91

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE: Taxation of building society capital shares**

**STARTER NUMBER: 650** **CLASSIFICATION: B2**

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| N/K but small | | | N/K but probably negligible | | 1-3 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| EST | No |

**ORIGIN OF STARTER:** Building Societies Commission

**PURPOSE OF STARTER:**

To clarify the tax treatment of a possible new form of building society share, which would count as capital.

**KEY POINTS:**

Estimate of legislation length's guess work, and would depend on the exact specification. This has yet to be settled.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | **Miss Noble** | **TELEPHONE** | **270 4670** |
| **OFFICIAL IN SUPPORT:** | **Mr Dickson** | **TELEPHONE** | **270 4491** |
| **FP CONTACT:** | **Miss Hay** | **TELEPHONE** | **270 4918** |
| **BUILDING SOCIETY COMMISSION CONTACT** | **Mr Bridgeman** | | **437 9982** |

***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.

fp.nh/ks/97

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** Disputes relating to stock on the national savings stock register in England and Wales

**STARTER NUMBER:** 651 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| N/A | | | N/A | | less than 1 page |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| EST | No |

**ORIGIN OF STARTER:** REGISTRY OF FRIENDLY SOCIETIES

**PURPOSE OF STARTER:** To amend the National Debt Act 1972 so that when a dispute about a holding on the national savings stock register is referred to the chief registrar of friendly societies, he may appoint a deputy to hear it and arbitrate on it.

**KEY POINTS:** Uncontentious. Parliamentary Counsel confirm that such an amendment is within the scope of a Finance Bill.

| | | | |
|---|---|---|---|
| **OFFICIAL IN LEAD:** | MISS NOBLE | TELEPHONE | 270-4670 |
| **OFFICIAL IN SUPPORT:** | MR DICKSON | TELEPHONE | 270-4481 |
| **FP CONTACT:** | MISS M HAY | TELEPHONE | 270 4918 |
| **REGISTRY OF FRIENDLY SOCIETIES CONTACT** | MR BRIDGEMAN | | 437-9982 |

***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.

fp.nh/ks/107

Date of issue: 13 October 1989

**BUDGET STARTER: REFERENCE SHEET**

**TITLE:** National Weights and Measures Laboratory : Charging of Fees for work in pursuance of Community Regulations

**STARTER NUMBER:** 652 **CLASSIFICATION:** C

| Revenue £m* cost(-)/yield(+) | | | Staff effect* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| NEG | NEG | | NEG | NEG | 12-20 Lines |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

**ORIGIN OF STARTER:** Department of Trade and Industry

**PURPOSE OF STARTER:** Section 56 of Finance Bill 1973 provides for making of regulations to cover fees to be charged in pursuance of Community obligations. DTI wish to be able to set and charge NWML fees of this kind by administrative action instead of by statutory instruments.

**KEY POINTS:** (1) DTI have bid several times for a Weights and Measures (Amendment) Bill which would allow this but so far without success. (2) Fees for analagous work by NWML can be varied simply by administrative action. (3) Intention to change this procedure was included in NWML's executive Agency Framework document.

**OFFICIAL IN LEAD:** J W STEVENS **TELEPHONE** 270 4512

**OFFICIAL IN SUPPORT:** MISS L M ADAMSON **TELEPHONE** 270 4514

**FP CONTACT:** N I MACPHERSON **TELEPHONE** 270 5170

***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: DISCARDED STARTERS

1. The list below gives details of a number of measures which, for various reasons, have not been included in the main list for legislation in 1990.

2. In endeavouring to meet Ministers' desire for a shorter Finance Bill in 1990 we have been even more rigorously selective than usual in our choice of Starters and the list below therefore contains a number of measures which would normally appear in the main Starters List. For example:

- BES
- Share incentives/ESOPs
- a number of avoidance risks (where the immediately foreseeable loss of tax may be significant, but not huge)
- information powers (following discussions in Brussels: perhaps to wait for another year)
- a number of possibilities stemming from representations where the case for legislation in 1990 does not, at the moment, seem compelling.

3. Ministers will therefore wish to consider the discard list very carefully to see whether there are any items which they would like to see promoted to the main Starters List. It would be helpful to know of any such items as soon as possible.

# INLAND REVENUE: DISCARDED STARTERS

## INDEX

A. PERSONAL TAXATION

A1. ESOPs

A2. SCHEDULE E: LUMP SUM PAYMENTS

A3. ADDITIONAL PERSONAL ALLOWANCE

A4. SALARY FORGONE

A5. PRP: ACCOUNTING ADJUSTMENTS

A6. LAPRAS: DIPLOMATS

B. STAMP DUTY

B1. STAMP DUTY APPEALS PROCEDURE

B2. SHARED OWNERSHIP SCHEMES

B3. PROPERTY EXCHANGES

C. INHERITANCE TAX

C1. ALLOCATION OF £3,000 ANNUAL EXEMPTION

C2. BUSINESS AND AGRICULTURAL PROPERTY RELIEFS AND NON-PETs

C3. BUSINESS AND AGRICULTURAL PROPERTY RELIEFS AND A&M TRUSTS

C4. KEITH COMMITTEE RECOMMENDATIONS

C5. PENALTIES FOR ABUSE OF THE EXCEPTED ESTATES PROCEDURE

C6. TRUSTS

C7. NATIONAL HERITAGE

D. CAPITAL GAINS TAX

D1. TRANSFERS BETWEEN HUSBAND AND WIFE

D2. GROUPS

D3. REBASING

D4. EXCHANGES OF SHARES FOR DEBENTURES

D5. INCORPORATION OF BUSINESSES

D6. GAINS OF NON-RESIDENT CLOSE COMPANIES

D7. THE DROP-OUT

D8. TRUSTS(1)

D9. TRUSTS(2)

D10. TRUSTS(3)

E. BUSINESS TAXATION

E1. BUSINESS EXPANSION SCHEME

E2. STOCK LENDING

E3. FOREIGN EXCHANGE GAINS AND LOSSES

E4. RELIEF FOR COST OF SETTING UP EMPLOYEE SHARE SCHEMES

E5. RELIEF FOR PRE-TRADING INTEREST PAYMENTS

E6. ABOLITION OF "ONE-ESTATE ELECTION"

E7. REPEAL OF MINERAL ROYALTIES PROVISIONS

E8. SWAPS

E9. ACCRUED INCOME SCHEME

E10. LLOYD'S CAPITAL GAINS TAX TREATMENT

E11. MAKE "HERD BASIS" APPLY TO SHARE FARMING

E12. ENTERPRISE ZONES: RESTRICTION OF 100% FIRST YEAR ALLOWANCE

E13. TAX EXEMPTION FOR SELF-GOVERNING HOSPITALS

E14. SUBCONTRACTORS IN THE CONSTRUCTION INDUSTRY

F. INTERNATIONAL TAXATION

F1. DOUBLE TAXATION RELIEF: COMPANY MERGERS

F2. SCHEDULE C: INTEREST PAID BY GOVERNMENT DEPARTMENTS

F3. INTERNATIONAL INFORMATION POWERS

F4. CANCELLATION OF TAX ADVANTAGES ARISING FROM THE REPEAL OF SECTION 765(1)(c) & (d) ICTA 1988

## G. OIL TAXATION

G1. NOMINATION SCHEME

G2. TAX TREATMENT OF INSURANCE RECEIPTS

G3. PARAGRAPH 2 SCHEDULE 4 OTA 1975 - CAPTIVE INSURERS

G4. CARRYBACK OF LOSSES ESTABLISHED FOLLOWING FARM-INS

G5. ALLOWANCE FOR INCREMENTAL INVESTMENT

G6. PRT: TARIFF RECEIPTS ALLOWANCE FOR SEPARATELY TARIFFED ASSETS WITHIN THE SAME FIELD

G7. RING FENCE THIN CAPITALISATION RULES

## H. MISCELLANEOUS

H1. ELECTRONIC PAYMENTS OF DIVIDENDS

# INLAND REVENUE: LIST OF DISCARDED STARTERS

## A. PERSONAL TAXATION

### A1. ESOPs

Ministers agreed to consider the variety of additional tax reliefs and easements suggested during the passage of the FA 1989 ESOP provisions. Also possibility of CGT reliefs for share disposals to and from ESOP trusts was deferred last year.

Reason for Discarding

Ministers may wish to let the 1989 changes bed down before taking further action.

### A2. SCHEDULE E: LUMP SUM PAYMENTS

Ministers considered last year whether the £30,000 tax-free threshold for lump sum payments made on termination of employment could be more effectively targeted on genuine redundancy situations. No specific effective proposals for this could be devised but Ministers saw some attractions in a more elaborate system which also took income into account, making the relief less generous - or withdrawing it entirely - for people on higher levels of pay and lump sum. The proposal was that the lump sum should be added to pay etc from the job for 12 months prior to termination and that the excess over a prescribed limit (say £80,000) be deducted from £30,000 to determine the amount - if any - of the tax-free threshold. This was dropped in February but it was agreed to look at it again for 1990. At Chancellor's meeting in July it was agreed that "action unlikely on this in 1990". Proposal likely to be criticised as complicating area which was simplified in 1988 with the abolition of top-slicing relief.

### A3. ADDITIONAL PERSONAL ALLOWANCE

Following the modernisation of the main allowances for independent taxation, and the changes in recent years, some minor "tidying up" of the APA rules would be possible.

### A4. SALARY FORGONE

It may be possible to avoid the proper charge on benefits in kind - in particular cars and accommodation - by arrangements under which the benefit is provided in return for forgoing part of the salary which would otherwise have been paid. This possible technical defect ought to be rectified at a convenient moment because it is potentially quite costly. But there is no indication yet of any attempt to exploit it. It was a starter, and was dropped, last year.

## A5. PRP: ACCOUNTING ADJUSTMENTS

We will be reporting to the PMG later in the year, in the light of experience with the first annual PRP returns, any particular areas of difficulty which employers appear to be experiencing. This is a relatively minor matter, and so far a compelling case for changes has not been made out.

## A6. LAPRAS: 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. In absence of measure, tax offices will continue to give relief outside the relief at source scheme.

## B. STAMP DUTY

### B1. STAMP DUTY APPEALS PROCEDURE

The antiquated appeals 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 probably less than a page, power to make Regulations to bring stamp duty into line with the appeals system for other taxes (including SDRT).

Reason for Discarding

This proposal requires prior consultation. Though the timetable would have been tight, it might just have been possible to carry out a consultative exercise prior to FB 1990. In the event, Ministers decided, at the 25 July meeting on the approach to be adopted to the 1990 Budget and Finance Bill, that stamp duty appeals should not be a matter for the 1990 Bill.

### B2. SHARED OWNERSHIP SCHEMES

Proposal

To provide some relaxation of the present stamp duty charges which, notwithstanding the special relief introduced in 1980, fall on those buying their homes under shared ownership schemes.

Background

There has continued to be a steady flow of complaints about the current lease duty charges on shared ownership purchasers. The whole shared ownership issue was examined by the 1988 Lease Duty Review which recommended against any further legislative change but suggested DOE's attention be drawn to the possibility of the housing association etc concerned itself bearing the stamp duty charge. (This has now been done, and DOE's response was not unfavourable.)

In addition, this year has brought to light an unintended effect of the present legislation affecting shared ownership purchases. When a participant in one of these schemes eventually buys the reversion of a freehold property he is protected from the further stamp duty charge that would otherwise arise: a parallel protection is not available to shared owners of leasehold property.

Reason for Discarding

The reasons why the 1988 Review recommended against any further legislative relief are equally valid today; it would unfairly discriminate against those first-time buyers not able to participate in a shared ownership scheme. The real problem - for

both sets of purchasers - is the erosion of the £30,000 stamp duty threshold.

Correcting the leasehold anomaly should be relatively simple in legislative terms. But the numbers affected are small, and there is always a risk that legislation on the anomaly in isolation could raise wider questions about the treatment of shared ownership property generally - and perhaps even the level of the £30,000 threshold itself.

## B3. PROPERTY EXCHANGES

Purpose

To ensure that when one property is given in part-exchange for another, stamp duty is payable on the full value of the property purchased.

Background

In the current flagging property market we have seen a series of devices whereby someone trying to sell a house (eg a developer) effectively agrees to take the prospective buyer's own house in part-exchange. The object in each instance is to secure a sale. In such circumstances stamp duty is payable, not on the full value of the property purchased, but on just the cash element in the transaction. The cash element may itself in some cases be protected by the £30,000 threshold.

Reason for Discarding

If it were to catch all the "chain-breaking" etc schemes now in operation, legislation would necessarily be complex. Probably not feasible to work up comprehensive scheme for Finance Bill 1990. In any event problem may go away if property market picks up.

## C. INHERITANCE TAX

### C1. IHT: ALLOCATION OF £3,000 ANNUAL EXEMPTION

Under CTT, the annual exemption was applied chronologically to transfers which would otherwise be chargeable. For IHT purposes, the policy intention was that the annual exemption should in the first place be reserved for transfers which would otherwise be chargeable when made. If a PET proved to be chargeable, it would benefit from the annual exemption if at all only after other subsequent chargeable transfers in that year. S 19(3A) IHTA, read in isolation, appears to achieve this outcome. Unfortunately a PET is itself defined by reference to a chargeable transfer which is not exempt(S 3A and 2(1) IHTA). In the context of the annual exemption this means that the first outright transfer of value made to an individual or interest in possession trust of up to £3,000 would be an exempt transfer and cannot be a PET. So the policy intention behind S 19(3A) is frustrated.

Reason for Discarding

This is a minor technical blemish, the effect of which is only likely to be felt in practice where on the transferor's death within 7 years an erroneous claim to the exemption by the transferee of a non-PET is displaced by the prior claim of the donee of an outright gift. The defect has been noted by the Institute of Chartered Accountants in England and Wales (ICAEW) and in the Capital Taxes News Report, July 1987. It is a prime candidate for inclusion in a package of amendments for the removal of technical irregularities in the IHT code as soon as the other pressures on Finance Bill space permit.

### C2. 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 an 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 A's 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 a 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.

## C3. 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 ICAEW 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 as part of a balanced package.

## C4. KEITH COMMITTEE RECOMMENDATIONS

The Keith Committee Report contained (in Chapter 32, Volume 3) 28 recommendations on the enforcement powers of the Revenue for capital transfer tax purposes. Many remain relevant for inheritance tax and if accepted would require legislation.

Reason for Discarding

Hitherto consideration has been deferred pending completion of action on the recommendations relating to the main taxes. Work is now in hand on the inheritance tax recommendations. However, much remains to be done and if Ministers agree to implement any we will need to consult the representative bodies. It would be difficult to complete this in time for legislation next year without giving it a considerably higher priority than it merits.

## C5. 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 priority for legislation (including the level of penalties generally) would be reconsidered.

## C6. IHT: TRUSTS

Proposal

Simplify charging structure for discretionary trusts - administrative and compliance cost advantages.

Reason for Discarding

Raises issues of principle, possibly controversial. Needs heavy resource commitment for (perhaps) little yield. Better to await progress on review of IT/CGT charging structure. Discarded 1989.

## C7. IHT: NATIONAL HERITAGE

Proposal

Make mortgaging of property that has been the subject of conditional exemption trigger a clawback charge.

Reason for Discarding

Recently emerged problem which needs further study.

## D. CAPITAL GAINS TAX

### D1. CGT: TRANSFERS BETWEEN HUSBAND AND WIFE

Anyone who has a non-resident or dual resident spouse outside the CGT charge can transfer assets at no gain/no loss to him/her before disposing of them and so avoid UK (and possibly any) tax. This is possible now, but the introduction next April of Independent Taxation will draw attention to this very easy way - for the relatively small number of people involved - of stepping outside CGT.

### D2. CGT: GROUPS

(a) Action to prevent avoidance of the capital gains charges when a company leaves a group, through exploitation of a let-out for liquidations. At this stage, tax loss does not appear such as to warrant priority action. This could change.

(b) Correction of probable defect in 1988 provisions designed to prevent, in some specialised circumstances in groups, gains being taxed twice or losses relieved twice. No evidence of substantial problem in practice.

### D3. CGT: REBASING

Clarification of how rebasing applies where a member of a group acquires pre-82 assets from another member and claims rollover on the acquisition. No evidence of substantial problem in practice.

### D4. CGT: EXCHANGES OF SHARES FOR DEBENTURES

Action to deal with takeovers involving the exchange of shares for debentures which are redeemable in annual tranches. Tax is deferred on the exchange and the shareholder can get a separate annual exemption on the redemption of each tranche, and indexation relief. No evidence of substantial tax loss.

### D5. CGT: INCORPORATION OF BUSINESSES

The CGT rules for incorporating a business need to be reviewed. But there is no evidence of substantial problems in practice and the matter does not warrant urgent attention in 1990.

### D6. CGT: GAINS OF NON-RESIDENT CLOSE COMPANIES

There is a case for reviewing the CGT rules for gains of non-resident close companies: but there are substantial links with the controlled foreign company rules and any review is best left on one side until/unless consideration is given to extending the CFC rules to gains.

## D7. THE DROP-OUT

Action ought in principle to be taken to prevent CGT avoidance by people becoming non-resident for a short period, selling their assets, and then returning to the UK. This is a long-standing problem: the tax involved - though it can be relatively large in individual cases - is not in aggregate very big in Exchequer terms.

## D8. CGT: TRUSTS(1)

Proposal

Major modification of CGT trusts regime, arising from commitment to review given in 1988 Finance Bill debates.

Reason for Discarding

Review unlikely to be complete in time for legislation in 1990.

## D9. CGT: TRUSTS(2)

Proposal

Pending outcome of Review, make interest in possession (IIP) trusts liable to additional rates (to stop avoidance).

Reasons for Discarding

(a) Overkill: 8,000 trusts worse off, and 6,700 worse off than under leading Review option;

(b) Responds to criticisms that discretionary trusts (DT) regime is too harsh (by comparison with IIP trusts) by bringing IIP rates up to DT rates;

(c) Best left until Review findings (which may be published at or about Budget time) are implemented. Window of opportunity is acceptable.

## D10. CGT: TRUSTS(3)

Proposal

Pending outcome of Review, allow gifts relief when IIP trust property vests absolutely in beneficiary.

Reason for Discarding

Not appropriate while IIP trusts remain taxed at basic rate only, and merits uncertain anyway. Remitted to Review by FST in 1989; action best left until Review findings are implemented.

The total amount of tax at risk is likely to be negligible but in a particular case - which may attract publicity - it could be large. Because of the pressure on Finance Bill space in 1990, on balance we have put this on the discard list.

## E. BUSINESS TAXATION

### E1. BUSINESS EXPANSION SCHEME

Commitments to review various matters given by former FST; and there is a recent proposal for a change in the valuation of dwellings let on assured tenancy terms (the "locality rule"). The usual November submission will cover these matters. But with amending legislation in each of the 7 years since BES introduced, strong case for avoiding further changes in 1990 to let scheme settle down.

### E2. STOCK LENDING

The stock lending rules exempt from CGT arrangements whereby market makers acquire securities from institutions, in order to meet contracts where they have sold short or settlement difficulties have arisen, and later replace them. The Stock Exchange have made representations to extend these rules to cover transactions involving more than two parties, in particular so that stock borrowed can be on-lent. The previous Financial Secretary agreed to consider their case. Legislation could be tricky as there are conflicting interests amongst the various players and there are compliance issues to sort out. We will be having discussions with the Stock Exchange but are not yet convinced the issue is a high priority.

### E3. FOREIGN EXCHANGE GAINS AND LOSSES

A consultative document was issued on Budget Day and representations were invited, if possible, by 30 September 1989. Decisions must await analysis of responses to the document, but comprehensive reform in 1990 is unlikely. Draft clauses on limited changes to deal with specific problems may be a possibility.

### E4. RELIEF FOR COST OF SETTING UP EMPLOYEE SHARE SCHEMES

Costs of setting up share schemes, as distinct from running them, do not qualify for relief against profits because they are capital not revenue costs. This point was dropped as a starter last year because of pressure on Finance Bill space. Discard because - (i) a low priority point (ii) legislation potentially complicated (iii) Ministers will want to let new ESOP legislation settle.

### E5. RELIEF FOR PRE-TRADING INTEREST PAYMENTS

Existing relief for pre-trading expenditure does not apply to certain types of interest payment. This point was also dropped as a starter last year because of pressure on Finance Bill space. Discard because a low priority point.

## E6. ABOLITION OF "ONE-ESTATE ELECTION"

"One-estate elections" in existence since 1963, allow an owner of an agricultural estate to set off maintenance expenditure on the mansion house, in excess of the house's rateable value, against rents from let properties on the estate. Introduced as a transitional provision following abolition of old Schedule A and increasingly generous (and difficult to justify as permanent relief) now rateable values out of date. Discard because heritage lobby attach great importance to elections as element of Government support for historic houses; and small number of cases (about 500) mean repercussions of abolishing provision would be out of all proportion to its fiscal importance.

## E7. REPEAL OF MINERAL ROYALTIES PROVISIONS

These provisions were designed to encourage landowners to make available minerals to minerals operators by providing relief in respect of mineral royalties under a mineral lease or agreement. Relief is given by deeming a revenue receipt to be half capital and half revenue and when they were introduced they reduced an individual's theoretical maximum tax liability from 94.5% to 67.25%. Due to the equalisation of the tax rates on income and capital gains and technical problems within the legislation concerning coal leases granted in England, Wales and Scotland this legislation appears to have become largely ineffective. Repeal would be a short provision and in line with the policy of simplifying legislation where the differences in tax rates no longer bite. However, there might be some losers, particularly individuals on modest incomes. It does not seem a priority, but if we were looking for a small simplification measure this would be worthwhile.

## E8. SWAPS

A consultative document was issued on Budget Day. Responses from Swaps practitioners and representative bodies indicated that our proposals would be opposed by the industry. We accept that our original proposals would not be satisfactory for all types of swaps and we are considering what alternatives might be possible. When we have reached conclusions, it is probable that we shall need a further process of consultation. In the meantime the existing concessionary practice provides the industry with a regime that they can live with although they would prefer a statutory regime. While the Exchequer is exposed to risks of avoidance by continuance of the status quo, there is no need to legislate in a rush. It is more important to get the regime right and to carry the industry with us. For this reason, and to allow time for further consultations, we do not think it would be right to legislate in 1990. The item is more likely to be a starter for 1991. The Chancellor's view at his preliminary meeting on starters was not to favour legislation in 1990.

## E9. ACCRUED INCOME SCHEME

We have had representations, primarily from the BBA, asking for

- a de minimis limit for trusts;
- abolition of the AIS charge on death;
- abolition of the AIS charge on conversion of convertible securities.

On the first, the BBA originally asked for a high limit (£5,000) but they now accept something much smaller, say £100, would deal with the administrative problems which gave rise to their complaints. The second continues to attract some adverse criticism, but it is fair to say it is more of an irritant than a real problem. On the third, the BBA did not press the point at our last meeting with them. They appear to accept that there is no evidence of the charge affecting the convertibles market. We accept there is a case for action on the first and second points but it would be best timed to coincide with the results of the review of trust taxation. This will clear the way for changes to the Accrued Income Scheme (and may render some changes to AIS unnecessary).

## E10. LLOYD'S CAPITAL GAINS TAX TREATMENT

At present, Lloyd's are liable to CGT on gains on investments. As individuals, Names are able to benefit from annual exemptions and indexation relief. This causes them to strive to convert income into capital gains. Legislation in 1989 on deep gain securities and index linked bonds sought to deal with what then appeared to be the main opportunities for conversion. Ministers were aware that the 1989 legislation was likely to prove a temporary solution and that Lloyd's could be expected to find new ways of converting income to capital. They agreed the position would have to be kept under review. Although there have been some signs that Lloyd's are continuing their search, we have no evidence as yet of substantial loss to the Exchequer. In the absence of such evidence, we assume Ministers will not want to legislate on this point in 1990.

## E11. MAKE "HERD BASIS" APPLY TO SHARE FARMING

The herd basis - special rules for the treatment of productive herds of mature farm animals - is not available to share farmers, because it does not apply to <u>shares</u> in animals. The CLA have been pressing for some time for action on the point, and earlier this year Ministers agreed to consider it. <u>Discard</u> because not a high priority point.

## E12. ENTERPRISE ZONES: RESTRICTION OF 100% FIRST YEAR ALLOWANCE

European Commission say that Community rules on sectoral State aids require EZ reliefs and subsidies (including the 100% first year allowance) to be capped and restricted to exclude certain industries. May apply to Inverclyde Zone and any new zones. Officials still considering whether administrative solution possible. Discard as case for Finance Bill legislation not yet made out.

## E13. TAX EXEMPTION FOR SELF-GOVERNING HOSPITALS

At present NHS hospitals tax exempt because of Crown immunity. Those hospitals which opt for self-governing status will not be entitled to Crown immunity. Department of Health have asked for continuation of tax exemption. Possible implications for some private sector hospitals. Submission to Minister shortly. Discard as any legislation could be in the DH Bill.

## E14. SUBCONTRACTORS IN THE CONSTRUCTION INDUSTRY

Ministers have promised further consultation on reducing subcontractor scheme paperwork, such as by replacing scheme vouchers by electronic payment and contractor's returns. They will not have the results of consultation on this or other changes, such as to the certificate eligibility rules, in time to allow the necessary volume of legislation in 1990.

## F. INTERNATIONAL TAXATION

### F1. DOUBLE TAXATION RELIEF: COMPANY MERGERS

Background

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, 1988 and 1989 Budget representations and in the 1990 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 dividends 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 profits 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 FB90 technical representations by the CBI.)

### F2. SCHEDULE C: INTEREST PAID BY GOVERNMENT DEPARTMENTS

Following an adverse judgement in the High Court, Government departments are not required to deduct tax from interest paid on certain damages and compensation payments. Treasury are advising departments of the position and of the possibility of demands for repayment of tax previously deducted in error (which will in turn be liable for tax).

Reason for Discarding

For the future, the Exchequer effects are primarily cashflow but there could be a (small) loss of tax in relation to payments to non-residents and non-disclosure cases. For the past, the scale

of the problem is now being evaluated - likely to arise primarily for the Department of National Savings. Legislating next year might not be much help.

## F3. INTERNATIONAL INFORMATION POWERS

In the light of current discussions in the Community, legislation may be necessary to fill the familiar "lacuna" in the income tax information requirements and perhaps extend to multilateral arrangements the existing IHT information provisions which are at present directed only to bilateral double tax treaties.

Reason for Discarding

Discussions are still continuing and it is not clear that any such legislation would be needed as early as 1990. The position may however be clearer after the further meetings to be held this month in the Ad Hoc Group on the taxation of savings, and at the November ECOFIN.

## F4. CANCELLATION OF TAX ADVANTAGES ARISING FROM THE REPEAL OF SECTION 765(1)(c) & (d) ICTA 1988

The EC Directive on the Liberalisation of Capital Movements takes effect on 1 July 1990. Our Solicitor's provisional advice is that the requirement of Treasury to consent to various transactions in overseas securities (Section 765(1)(c) & (d)) may be incompatible with the Directive. We estimate that repeal of the provision without replacement could cost the Exchequer over £50m a year. A replacement scheme to counteract the repeal by way of assessment or refusal of relief with rights of appeal to Commissioners could, we believe, be compatible with the EC Directive.

Reason for Discarding

The Government has welcomed the Directive and a replacement provision is likely to be controversial. We are omitting the starter pending final advice from our Solicitor. If our Solicitor confirms his provisional advice, we will minute Ministers on the options.

## G. OIL TAXATION

### G1. NOMINATION SCHEME

The scheme was introduced in 1986 to combat oil companies' manipulation of prices returned for PRT. They had previously been able, with hindsight, to allocate their equity crude to the lowest priced of, perhaps many, trading deals. The scheme required companies to "nominate" their equity oil within two days of a deal being struck if it was to be taxed on the actual price paid. Otherwise, PRT would be based on a market value calculated by OTO. A dormant anti-avoidance provision (currently suspended) would be triggered if there was abuse.

However, recent evidence suggests there is still price manipulation (possibly up to £50m) in one area: producer/ refiner's allocation of equity to refinery, or sale. This issue, and the scheme as a whole is now in the first stage of review. But a solution, if required, which would stem the whole tax loss would be very controversial and could be complex for both sides to operate. We therefore do not see it as a candidate for action in the 1990 Finance Bill.

### G2. TAX TREATMENT OF INSURANCE RECEIPTS

In 1988, in the wake of the Piper Alpha disaster, the companies concerned pressed for changed tax treatment for insurance receipts. They wanted to defer the (otherwise immediate) charge on insurance receipts to the point when replacement expenditure is incurred. This was turned down by Ministers.

The companies have, however, made renewed representations for 1990 in the abandonment context. In turning down change in 1988 we said that interest - on PRT repayments arising from losses generated by future replacement expenditure for Piper - would ameliorate companies' cash-flow shortfalls. It is now proposed to curtail interest and the FST is considering a derogation for Piper on this but we do not think the cashflow shortfalls will justify a change in the law on insurance receipts.

### G3. PARAGRAPH 2 SCHEDULE 4 OTA 1975 - CAPTIVE INSURERS

Broadly, the provision limits relief for expenditure to the provider's costs where transactions are between connected persons and otherwise not at arm's length. But we have experienced difficulties with the application of the legislation, in particular to "captive" insurance. The companies can get round the rules by back to back arrangements with commercial insurance companies; on the other hand, where the restrictions do bite the companies may nevertheless be charged to tax on the full amount of insurance recoveries. However, there is no immediate loss of substantial amounts of money, or current pressure by the industry on recoveries.

Apart from the insurance point there are a number of technical amendments which could usefully be made to paragraph 2 Schedule 4. So we plan to review in detail the way paragraph 2 Schedule 4 works, to identify options for reform in future years.

## G4. CARRYBACK OF LOSSES ESTABLISHED FOLLOWING FARM-INS

We have three cases where oil companies with future expenditure plans have taken over company participators with mature field interests and gained advantage through Section 5 OTA 1975. The section provides for losses of the first company to be set against past PRT payments of its associate giving, in effect, immediate relief for expenditure. These arrangements could lead to a significant leakage of PRT; and we will need to re-examine the issue if the incidence of similar farm-ins increases. But, the point of principle is not wholly clear-cut and for the moment tax at risk (around £25m so far) would not justify priority in a short Finance Bill.

## G5. ALLOWANCE FOR INCREMENTAL INVESTMENT

This issue was a starter for 1989; but it was dropped before the Budget. The form of allowance was narrowly targeted - it would have only benefited one project. However it is by no means certain that the introduction of an allowance would have guaranteed the development of even that field. In any event we understand that the company concerned are exploring a different route for support through the Department of Energy. So, although pressure to give help to incremental fields through the tax system might return at some stage, there is no immediate cause for action.

## G6. PRT: TARIFF RECEIPTS ALLOWANCE FOR SEPARATELY TARIFFED ASSETS WITHIN THE SAME FIELD

The intention of the current legislation (S 9(2) OTA 1983) is that the participators in the principal field should be allowed, for each chargeable period, a separate tariff receipts allowance (TRA) in respect of each field using its assets. However, we have recently lost before the High Court a case where it is claimed that a separate PRT calculation is due for separate operations using separate assets of the same field. This effectively gives more than one TRA per user field. We have appealed against the High Court decision and been advised that the Court of Appeal may well find in our favour. Protective legislation to reaffirm our interpretation of the law is not needed in advance of a Court of Appeal decision. If, however, action were considered necessary it would be sensible to legislate for a couple of extra statutory concessions relating to TRAs given in respect of "foreign" fields.

## G7. RING FENCE THIN CAPITALISATION RULES

Broadly this provision provides that interest shall not be allowable against North Sea (ring fence CT) income unless it is in respect of specific borrowings made for UK oil or gas production. It is limited in its effect and cannot be used to counter the thin capitalisation of companies operating in the UK or the UKCS by disallowing as ring fence charges that part of inter-group interest which relates to notional equity. We are proposing special treatment for oil companies as part of the proposed amendments to Section 209 ICTA 1988 and the two new provisions being considered to counter thin capitalisation. Our proposals will however only be effective in respect of producing companies with foreign parents. There is a case in principle for making similar restrictions on groups with UK parents but legislation in 1990 on this aspect is not possible. We will keep the position under review and consider this matter again in the light of developments in the thin capitalisation area.

## H. MISCELLANEOUS

### H1. ELECTRONIC PAYMENT OF DIVIDENDS

There have been suggestions that the cost of paying share dividends would be reduced if many shareholders were given less information. So the tax requirement that a dividend voucher must accompany payment should be relaxed. But there is no agreement within the dividend payments industry about an alternative system. There would be important interactions with legislative options for reducing the staff cost of repaying tax credits to non-taxpaying shareholders.

BUDGET STARTER: REFERENCE SHEET

Date of issue: 10 November 1989

TITLE: Income Tax on Strike Pay

STARTER NUMBER: 107

CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Depends on decisions - small yield probable | | | Depends on decisions - small cost probable | | Depends on decisions (up to 2 pages, possibly some by regulation). |

Minister in lead

PCTA or equivalent resolution required

FST

ORIGIN OF STARTER: Chancellor

PURPOSE OF STARTER: To apply income tax to Trade Union Strike pay.

KEY POINTS:

1. Would require introduction of a new tax charge.

2. Would require new collection mechanism (to tax at source).

3. Likely to be controversial.

| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | C R Massingale | TELEPHONE: | 3541 6303 |
| OFFICIAL IN SUPPORT: | S S Wilcox | TELEPHONE: | 3541 6383 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |

* 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.

CONFIDENTIAL

BUDGET STARTER: REFERENCE SHEET

Date of issue: 10 November 1989

TITLE: Irrecoverable Loans

STARTER NUMBER: 261

CLASSIFICATION: C

| Revenue £m* cost(-)/yield(+) | | | Staff effects* | | Length of legislation* |
|---|---|---|---|---|---|
| 1990/91 | 1991/92 | (Full year) | 1/4/91 | 1/4/92 | |
| Neg cost | Neg cost | Neg cost | Neg | Neg | Up to 2 pages |

| Minister in lead | PCTA or equivalent resolution required |
|---|---|
| FST | No |

ORIGIN OF STARTER: BVCA

PURPOSE OF STARTER: To give lender relief where a loan in the form of a bond becomes irrecoverable.

KEY POINTS:

BVCA argue that absence of relief makes it more difficult for venture capital sector to raise finance. FST has decided that relief should be given.

| | | | |
|---|---|---|---|
| OFFICIAL IN LEAD: | M F Cayley | TELEPHONE: | 3541 7427 |
| OFFICIAL IN SUPPORT: | A Hardacre | TELEPHONE: | 3541 7571 |
| FP CONTACT: | J F Gilhooly | TELEPHONE: | 270 4550 |

* 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.