

CONFIDENTIAL FILING

Taxation of widows & Single
Women 60-64 years old.
Correspondence from G. ROOKER M.P.

Economic

POLICY.

MARCH 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3-6-81							
22-6-81							
PREM 19/727							

MFJ

Elon Rook

CP

22 June 1981

Thank you for your letter of 12 June about the Chancellor's letter to Jeff Rooker on the taxation of widows and single women. The Prime Minister is content for the Chancellor to write to Mr. Rooker in the terms of his revised draft.

TPL

R.I. Tolkien Esq
HM Treasury

RT



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

12 June 1981

Prime Minister

T P Lankester Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

The Chancellor has considered this issue again, but is not prepared to make any change of substance. Shall we let it go?

Dear Tim,

Yes not

Following his recent discussion with the Prime Minister about the taxation of widows and single women aged 60-65, the Chancellor has been considering further what he should say in reply to Jeff Rooker's letter of 26 March.

12

Unless the Prime Minister has any objection, he proposes to send the attached letter to Rooker. You will see that it differs in various respects from the draft attached to the Chancellor's minute of 21 May to the Prime Minister.

18/6

Yours ever,

Richard Tolkien

R I TOLKIEN
Private Secretary

Jeff Rooker, Esq MP
House of Commons

As you know, I have been considering the points you raised in your letter to the Prime Minister of 26 March about the taxation of single women and widows aged 60-64, and the Prime Minister has passed me your further letter of 10 May on this subject.

As you recognise, single women and widows between 60 and 64 whose only income is the basic State pension will not have to pay tax this year. However, there are some single women and widows between 60 and 64 who may become liable to tax for the first time because they have income in addition to their basic State pension (whether by additions to the State pension or other income) which will take them above the combined level of the single allowance and the assessing tolerances. This is an inevitable consequence of the fact that pensions have been fully protected from inflation (taking the November 1981 and November 1982 upratings together) at a time when it has not been possible to increase tax thresholds.

You suggest in your letters the possibility of giving age allowance (or some smaller relief) to widows and single women aged 60 and 64. Previous Governments - Labour as well as Conservative - have rejected this. I have re-examined the position with care, and this accounts for the delay in replying to your letter. But I have come to the conclusion that it would still not be right to introduce such a relief.

The justification for age allowance has always been that the taxable capacity of people declines as they get older, because of the extra expenses they incur, and that an additional allowance is justified on this account. I would find it very difficult indeed to say with any conviction that the extra expenses etc of old age comes upon single women or widows as a group any earlier than they come upon men, or married women, and I suspect you would find the same difficulty. From this standpoint, therefore, it is difficult to see how it could be fair to give a special relief to single women and widows at age 60 whilst the qualifying age for other people remained at 65.

Even if this basic objection could be overcome, I do not see that it could be possible to devise a relief which would make sense or seem fair to those affected by it. Would it make sense to give the tax relief to a single woman aged - say - 63 who was still working but deny it to a man or married woman who had stopped work at age 60? Alternatively, if it were given to all retirement pensioners, what would be done about widows between 50 and 60, who receive the same amount as retirement pensioners? Would it be equitable to extend the relief to a substantial number of younger people? There are, of course, other special groups whose position we could also consider - but I think the point is well enough made already.

These seem to me to be compelling arguments against introducing a special relief for single women or widows aged between 60 and 64.

You have referred particularly in your letter to the position of those who have additions to their basic State pension. But I think we should be clear what these additions to pension really are. The graduated addition - on which you have concentrated your attention - was introduced to give a "second pension" to people who did not have an adequate occupational pension, or any occupational pension at all. In essentials, the additional components payable under the current pension scheme are exactly the same.

I see no reason to treat women with these additions to pension any differently from those whose income over and above the basic pension comes from another source such as an occupational pension. Indeed to a large degree they are essentially the same as an occupational pension. The maximum amount of these earnings-related additions to pension is already considerable. (The maximum graduated pension is now over £200 a year, and the maximum additional component is approaching £300). The amount of the additional component will increase rapidly in future. So an additional tax relief would not keep all people with these additions outside the scope of tax in future, even if there was a case in principle for giving it.

Your final suggestion was ^{that} the Revenue's assessing tolerances should be increased. The level of these tolerances is related to the administrative cost of collecting small amounts of tax and there is no administrative reason for the Revenue to increase them this year. I do not think it could be right to increase the tolerances in order to give some people what would be - in effect - a higher tax threshold through the back-door.

I am, of course, concerned about the financial position of widows and single women between 60 and 65, just as I am about that of other groups of older taxpayers. But what we must strive to do is to order our affairs so that in due time we will be able to increase the level of the tax allowances generally and thus ensure that we avoid the recurrence of the difficulties that can arise if tax allowances are below the basic pension. This problem is itself essentially a by-product of inflation and it is an added reason why we must ensure that inflation is brought under proper control. It is to that end that our Budget strategy as a whole is directed.

15 JUN 1981
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SUBJECT
C. K. M. S.
C. F. White

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cc: Mr. Pattison

089

10 DOWNING STREET

From the Private Secretary

3 June 1981

At their meeting yesterday evening, the Prime Minister and the Chancellor discussed the Chancellor's undated minute from last month about the taxation of widows and single women aged 60-64.

The Chancellor explained the arguments against making any concession on the lines proposed by Jeff Rooker. However, the Prime Minister said she still believed that, in equity, something needed to be done, particularly for widows.

The Chancellor said that he would look again at the draft letter which he was proposing to send to Jeff Rooker, and at the possibility of raising the tolerance level. He would also consider whether, for the longer term, some special concession should be made to help widows.

I am sending a copy of this letter to Don Brereton (DHSS).

I. P. LANKESTER

John Wiggins, Esq.,
H.M. Treasury.

CONFIDENTIAL

R.H.

Original in Budget File
1985

[Handwritten mark]

PRIME MINISTER

Meeting with the Chancellor
Tuesday 2 June at 1720 hours

There are three issues you need to discuss:

i) Tax measures to offset the £85m lost by the decision on Derv (Flag A). The Chancellor wants to raise £20m from betting and gaming, and £55m from tobacco (another 3p on a packet of cigarettes). Your view has been that we should raise something extra from wine. I have mentioned this to the Treasury, who say that the Chancellor will argue very strongly against trying to go down this route: he thinks that, without increasing the tax further on beer, a tax increase on wine will simply be thrown out by the European Court, and that on the basis of a Court decision traders will be able to recoup the revenue. It also seems doubtful whether it would be worth having a row with the Community over such a relatively small issue (we would only be getting in another £10m or so at the most).

ii) Taxation of widows and single women, aged 60 - 64. You have disagreed with the Chancellor's advice on how he should respond to Jeff Rooker (Flag B). The issue here really comes down to whether the age allowance should be introduced at 60 for women generally or widows and single women. But this would presumably be very expensive.

iii) Progress on monetary control improvements. At Flag C are some notes by Alan Walters following a discussion last Friday, and also a draft letter which you might send to the Chancellor. I see little point in going into this in detail with the Chancellor, but you could mention your concern that the timetable seems to be slipping. I can then 'top and tail' Alan's draft letter for you to sign, and we can suggest a stocktaking seminar just before the summer recess.

[Handwritten mark]

[Handwritten signature]

[Handwritten text]

1 June 1981



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE LONDON SE1 6BY
TELEPHONE 01-407 5522 EXT

Tim Lankester Esq
Private Secretary
10 Downing Street
London SW1

Tim

1 June 1980

Dear Tim

I have told DHSS that you will take this on board, but that P.J. can not easily join the PM's discussion w Chancellor, which will cover other matters. This does not rule out other discussion in a wider forum. They are content provided his interest is registered.

TAXATION OF WIDOWS AND SINGLE WOMEN AGED 60-64 YEARS

Thank you for sending me a copy of your letter of 27 May to Richard Tolkien. My Secretary of State has taken a close interest in this matter and would welcome the opportunity to contribute to the discussion. I attach for information a copy of a letter which he sent to the Chancellor in April.

I shall be most grateful if you can arrange for Mr Jenkin to be invited to the Prime Minister's meeting. I am copying this note to Richard Tolkien at the Treasury.

MAJ 2/11

Yours ever

Mike

MIKE TULLY
Private Secretary

Enc



10 DOWNING STREET

From the Private Secretary

27 May, 1981

Taxation of Widows and Single Women aged 60 - 64

I believe that Mike Pattison has already told you that the Prime Minister was unimpressed by the arguments put forward in the Chancellor's minute of last week on the above subject in favour of maintaining the status quo. She will wish to discuss this with the Chancellor quite soon, since we cannot delay much longer the letter to Jeff Rooker.

I suggest that they discuss this at the meeting which we are arranging for next week.

I am sending a copy of this letter to Don Brereton (Department of Health and Social Security).

T. P. LANKESTER

Richard Tolkien, Esq
HM Treasury

A

PRIME MINISTER

B /

Treasury Ministers have now considered Jeff Rooker's suggestions for special tax relief for single women and widows between 60 and 64. You had indicated some sympathy with this case.

You will see that the Chancellor comes down against any special relief, and seeks your approval for a letter which he proposes to send to Jeff Rooker in response to Mr. Rooker's two letters to you on the subject.

Are you prepared to accept the Chancellor's line?

NO - the reasoning is wrong.

If so, we will arrange for his letter to be despatched, and we will then let you have a short draft to Mr. Rooker referring to the Chancellor's letter (he wrote to you a second time complaining that there had been an unreasonable delay in the initial answer which you had promised from a Treasury Minister).

MAF

ml

21 May, 1981.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

GR
 Note - this is one of
 the worst minutes
 I have ever seen
 for the
 Treasury!
 ml

PRIME MINISTER

TAXATION OF WIDOWS AND SINGLE WOMEN AGED 60-64

I have been considering, with my Treasury colleagues, the suggestions made by Jeff Rooker for a special relief for single women and widows aged 60-64, and the comments you have made on the subject (recorded in Nick Sanders' letter of 3 April).

.... 2. I have come to the conclusion that it would be a mistake to introduce any special relief this year, and I attach a copy of the reply I propose to send to Jeff Rooker's 26 March letter, which also refers to his follow-up letter to you of 10 May.

3. I do not think there is any real substance in the arguments Jeff Rooker himself makes in favour of special relief. His argument is that a woman with a graduated addition to her State pension (and no other income) should not have to pay tax because the graduated addition is the same as the basic State pension, and unlike any other income. In principle, his argument is wrong. These graduated additions were introduced in 1961 to give a "second pension" to people who did not have occupational pensions. Jeff Rooker has got his political mileage on this issue from pretending that the graduated pension is unique (and emphasising the smallness of the average amount). But in substance the graduated pension is no different from the additional components payable under the current scheme, which started in 1978. Both these payments are earnings related, and, in effect, surrogate occupational pensions.

/I see no



4. I see no reason to treat a woman with either of these additions any differently from people whose income over and above basic pension comes from a small occupational pension, or some other source. In any event, it would be quite impracticable to try to keep all women with these earnings related additions out of tax, even if we thought it right to make the attempt. The maximum graduated pension is over £200 a year. The maximum amount payable under the additional components is already nearly £300, will rise to nearly £600 by 1983-84, and will keep on increasing. Even if these women got full age allowance, therefore, (i.e. an extra £450 odd tax relief) there is no way in which their tax threshold could keep pace with the growth in the size of these occupational pensions. From this standpoint, a special relief would be a short term expedient which would soon become ineffective.

5. People will just have to accept - and I see no reason for our being defensive about this - that it is right in principle, and inevitable in practice, that some women with these earnings related additions to pension should come into the tax net, even if they have no other income.

6. Another of Jeff Rooker's suggestions is that the Revenue's assessing tolerance should be increased. I do not think it would be right to raise this de minimis administrative limit to take more people out of tax, and I think we would be justly criticised if we made the attempt. The practical difficulties are dealt with in the note to Jeff Rooker.

7. While this disposes of Jeff Rooker's own arguments for a special relief, it does not deal with the more fundamental point raised by your comment. The argument in the past has been that there is no necessary link between retirement age and the qualifying age for age allowance. The age allowance has been justified as recognising the reduction in taxable

/capacity



reduction in taxable capacity - only comes with old age because that is the time when work is reduced

capacity which comes with old age. There is no reason to think that old age hits single women any earlier than it hits other people. From this standpoint, it has always been held that if the qualifying age for single women and widows were dropped to 60 this would be unfair on men and married women of the same age. I think the logic must be right, if one starts from this point. But your comment raises the question whether this is the right starting point. If one said that the qualifying age for the tax allowance should be the same as the State pension age then on this basis, as you say, the fact that most women retire at 60 would be some answer to those who said it was unfair that men should have to wait 5 years longer before they got age allowance (though the argument could be more difficult with married women).

No

one doesn't

7. I can see the administrative tidiness of basing the allowance on retirement pension age if we were starting from scratch.

But I think it would be very difficult to defend this in principle. The fact is that the lower pension age for women is itself an anomaly!!

not only do women get the pension sooner,

but their expectation of life is appreciably higher than that of men.

Would eligibility for age allowance be simply on age grounds - which would sharpen the present discrimination against men? Or would it depend also on whether or not the taxpayer actually had any entitlement to retirement pension (i.e. would women over 60 without a pension not get it)? If so, why - except for the administrative tidiness? This just raises again the question why the receipt of retirement pension rather than some other income should carry with it a claim to a special tax relief. And the wider the relief were extended to women over 60, the more difficult it would be to exclude widows under 60 whose financial position is very similar.

yes, as it is now.

Wanwe

8. My conclusion from this is that we would create more problems than we would solve if we departed from the present simple proposition that all people have to wait until 65 before



qualifying for age allowance. The more restrictive we made the entry conditions for people qualifying at 60, the greater the pressure for extensions. The wider the scope of the relief, the greater the administrative cost of running it. On the simplest basis, a relief of this sort would probably cost some 300 or 400 staff to set up, and approaching 200 staff a year thereafter. The revenue cost would also be substantial - about £50m a year if the allowance went to all single women between 60 and 65, and more if the scope of the relief was wider.

9. I should be surprised if we had any real difficulty from our own supporters if we continue to resist Jeff Rooker's arguments for a special relief for these women. There was no criticism from our backbenchers when the point was discussed in the House on Clause 23 of the Finance Bill, and I think it unlikely that there will be any criticism in the rest of the Finance Bill debates. Indeed, I suspect our backbenchers would be a bit disappointed if we took action on it, because it would imply that we had not thought through the implications of our personal tax decisions before the Budget. For the future, the problems we have had in this area emphasise the importance of tax thresholds for next year's Budget.

10. I am copying this minute to Patrick Jenkin.

P.S. Jenkin

(G.H.)

May 1981

*(Approved by the Chancellor and signed
in his absence).*



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

May 1981

Jeff Rooker, Esq., MP.,
House of Commons

As you know, I have been considering the points you raised in your letter to the Prime Minister of 26 March about the taxation of single women and widows aged 60-64, and the Prime Minister has passed me your further letter of 10 May on this subject.

You are, of course, quite right in saying that some single women and widows between 60 and 64 may become liable to tax for the first time this year because they have income in addition to their basic State pension (whether by additions to the State pension or other income) which will take them above the combined level of the single allowance and the assessing tolerances. This is an inevitable consequence of the fact that pensions have been increased in line with inflation (taking the November 1981 and November 1982 upratings together) in a year when, in our view, economic circumstances do not permit any increase in tax thresholds. I recognise that you would prefer to see a higher PSBR, or an increase in basic rate - or both - and an increase in personal allowances but this general issue has been extensively debated in the House and this is not the occasion for rehearsing my reasons for rejecting these alternatives, and deciding that personal allowances could not be increased from last year's level.

If one rules out the possibility of a general increase in personal allowances, the question may arise of, as you say in your letter, the possibility of giving age allowance (or some smaller relief) to widows and single women aged 60 and 64. Previous Governments - Labour as well as Conservative - have rejected this. I have re-examined the position with care - and this accounts for the delay in replying to your letter - and have come to the conclusion that the balance of argument must still be against the introduction of such a relief.

The justification for age allowance has always been that the taxable capacity of people declines as they get older, and that an additional allowance is justified on this account. I would find it very difficult indeed to say with any conviction that the extra expenses etc. of old age comes upon single women as a group any earlier than they come upon men, or married women,

/and I



and I suspect you would find the same difficulty. From this standpoint, therefore, it seems difficult to see how one could justify giving a special relief to single women and widows at age 60 or - on the other side of the coin - convince men and married women that they ought to wait 5 years longer before they could be entitled to age allowance.

Beyond this, one has to face the fact that once one abandoned the present - simple - proposition of having the same qualifying age across the board, it would be very difficult to devise a relief which could be sensibly administered or - more important perhaps - would make sense to those affected by it. Would it make sense to give the tax relief to a single women aged - say - 63 who was still working but deny it to a man or married woman who had stopped worked at age 60? Alternatively, if it were given to all retirement pensioners, what would be done about widows between 50 and 60, who receive the same amount as retirement pensioners? Would it be equitable to extend the relief to a substantial number of younger people? There are, of course, other special groups whose position we could also consider - but I think the point is well enough made already.

These seem to me to be compelling arguments against introducing a special relief for single women aged 60-64. Some single women in this age group will have to pay tax because their additions to pensions take their income above the assessing tolerances. But I think we should be clear what these additions to pension really are. The graduated addition - on which you have concentrated your attention - was introduced to give a "second pension" to people who did not have an adequate occupational pension, or any occupational pension at all. In essentials, the additional components payable under the current pension scheme are exactly the same.

For my part I see no reason to treat women with these additions to pension any differently from those whose income over and above the basic pension comes from another source such as an occupational pension. It also has to be recognised that the maximum amount of these earnings-related additions to pension is already considerable. The maximum graduated pension a woman in this age group could receive is now over £200 a year, and the maximum additional component is approaching £300. Moreover, the number of people entitled to the additional component will increase in future years, as will the maximum amount payable. In 1983-84 the maximum amount will probably be approaching £600. So an extension of the tax relief would not keep all people with these additions outside the scope of tax in future, even if there was a case in principle for giving it.

Your final suggestion was the Revenue's assessing tolerances should be increased. The level of these tolerances is related to the administrative cost of collecting small amounts of tax and there is no administrative reason for the Revenue to increase them this year. I do not think it could be right to

/increase the



increase the tolerances just to give some people what would be - in effect - a higher tax threshold through the back-door. An increase in the tolerances would also exacerbate the problem you refer to in your letter. As you point out, a person whose incomes is just above the tolerance is liable to tax on all his income above the tax threshold. If the tolerances were increased to - say - £150 income then the disparity of treatment between those whose income was just above the tolerance level and those just below it would be increased. I do not think this would be defensible.

I am, of course, concerned about the financial position of widows and single women between 60 and 65, just as I am about that of other groups of older taxpayers. But the well-being of women in this age group, just like that of all other members of community, must depend ultimately on the defeat of inflation and the creation of sustained economic growth. It is precisely to those ends that our Budget proposals as a whole are directed.

GEOFFREY HOWE

20 MAY 1964

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MR. J. ROOKER MP

19/5

Taxation of
older women.

12 May 1981

I enclose a further letter to the Prime Minister from Jeff-Rooker MP about the taxation of women aged between 60 and 64. Nick Sanders sent you the earlier correspondence on 27 March.

Perhaps we could have a word about where this correspondence now stands. I hope that it will be possible for a Treasury Minister to write quickly in reply to both of Mr. Rooker's letters.

MAP

Richard Tolkien, Esq.,
HM Treasury

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file

BK

12 May 1981

I am writing on behalf of the Prime Minister to thank you for your further letter of 10 May on the taxation of women aged 60-64 years.

I will place this before her at once and you will be sent a reply as soon as possible.

MAP

Jeff Rooker, Esq., M.P.

5

PS

CC LG
12/5

K12/5

From Jeff Rooker MP

10th May 1981



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon Mrs M Thatcher MP
Prime Minister
Downing Street
London

Dear Prime Minister,

Taxation of women aged 60-64 years

Thank you for your letter of 13th April in part reply to mine of 26th March in respect of the above. After four weeks I have yet to receive a reply from the Treasury Ministers to whom you passed my proposals for dealing with what you referred to as "this problem" and I therefore bring the matter to your attention again.

I am moved to do so not simply because I have not heard from the Treasury, but because of the nature of the Financial Secretary's speech on Tuesday 5th May col 58-64. He appeared to side step the matter by referring to widows. Quite frankly the question of taxation of widows, always sensitive, is not the main issue brought about by the Budget decision to freeze tax allowances. Widows of all ages are affected by the decision.

It is likely that the majority of single women affected between 60-64 years and whose sole source of income is the state retirement pension and graduated pension are not even widows, but single women. If they were widows then at that age they would be treated no different to single women. It is therefore grossly misleading of the Financial Secretary to concentrate on widows.

You yourself said at Gravesend on 17th April 1979 that "those pensioners who have another little pension of their own or some savings and who therefore pay tax will benefit from our income tax reductions". The result of Geoffrey Howe's third Budget is that women pensioners aged 60-64 years who do not even have another little pension of their (by this I mean an occupational pension which is I presume what you meant) own, are actually going to pay income tax for the first time if they have the average graduated pension.

Do you realise that a graduated pension for these women of 33p per week will bring about an income tax payment of 57p per week even when the Inland Revenues assessing tolerance is used. Have the Treasury really told you what is going on? Will you please ask them and deal with this matter yourself?

Yours
Jeff Rooker



CC: JMT

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CF
14/4

10 DOWNING STREET

THE PRIME MINISTER

13 April 1981

Dear Mr. Rooker,

You wrote to me on 26 March about the taxation of single women between the ages of 60 and 64.

As you will appreciate, the proposals which you make in your third paragraph to deal with this problem raise wider issues about the structure of the personal income tax reliefs. I have therefore asked the Chancellor and his colleagues to consider your proposals and to reply to your letter.

Yours sincerely,

(sgd)

MT

Jeff Rooker, Esq., M.P.

BB



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 April 1981

M Patterson Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Mike,

You mentioned this afternoon that the Prime Minister wanted to reply to Mr Jeff Rooker's letter of 26 March about the taxation of women over 60 before departing overseas on Tuesday, 14 April.

The Chancellor thinks that, in view of the broader issues which Mr Rooker's letter raises about the structure of income tax reliefs, it would probably be best if he were to reply to the letter. Ministers want to consider these issues before a reply to Mr Rooker's letter is drafted, and this will not have been completed before the Prime Minister's departure. It would not therefore be possible to submit a draft reply for the Prime Minister in time.

The Chancellor would like to minute the Prime Minister in due course about the issues and, at the same time, clear the terms of his reply to Mr Rooker.

... If the Prime Minister agrees with this approach she could write to Mr Rooker in the terms of the attached draft.

Yours ever,

Richard Tolkien

R I TOLKIEN
Private Secretary



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1
TELEPHONE: 01-407 5522

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
LONDON SW1

10 April 1981

Dear Geoffrey,

TAXATION OF WOMEN AGED 60-64 YEARS

Jeff Rooker continues to pursue the point that, because tax allowances were not increased in the Budget, some women between the ages of 60 and 64 will, if their income consists of basic pension and graduated pension, find themselves paying tax for the first time. You will have seen his recent letter to the Prime Minister and I think there can be little doubt that he will continue to make what political capital he can out of this. The Prime Minister has indicated that she does not accept the argument that it would be unfair on others to introduce a special tax relief or allowance for these women. Age allowance for this group would of course solve the problem but, on the assumption that this is not now possible in this financial year, I would like to argue for a more limited change.

It is a natural consequence of the decision not to raise tax allowances that more people will find themselves liable for tax and I accept that, as more and more people retire with good, second pensions (whether occupational, graduated or additional components), there is no case for seeking to exempt these pensions from tax. But I suggest that we are vulnerable to criticism in respect of this particular group, that is women with basic pension and a small amount of graduated pension (or additional component) who have no tax liability at the moment but who, because we have given price protection to their pensions but not to their tax allowances, find themselves liable to tax for the first time. The number who are affected by this latest example of the State giving with one hand only to take away, in part, with the other will not be large - probably no more than 200,000. As you will recall, the Boyd-Carpenter sixpenny bricks on which these graduated pensions are calculated were not index-linked from 1961, when the scheme began, to 1978 and the level of graduated pension in payment to these women has been eroded by many years of inflation. It seems a shade hard also to tax the little they receive (the estimated average in 1981 for women aged 60-64 is 57p a week).

It would, I am sure, pay political and manpower dividends to keep as many as possible of these women out of tax by increasing the Inland Revenue assessing tolerance which I understand has remained at £30 tax for direct assessment

N. R.

since 1976. I appreciate that an increased tolerance could not be confined to this particular group but I would have thought that there was now a case for modest increase.

I hope therefore that you will be able to find a way through this problem and I shall be grateful to know what you decide

Your ever
Patte



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10 DOWNING STREET

From the Private Secretary

3 April 1981

file
R. J. ROOKER

(Taxation of women)

10/4

Taxation of Women aged 60 to 64

The Prime Minister was grateful for the Questions briefing which was supplied to her on 31 March following up Mr. Jeff Rooker's letter of 26 March about the taxation of women over 60.

The Prime Minister said when she saw that briefing that she disagreed very strongly with the argument set out in it that it would be unfair on other people (men and married women) of the same age to introduce a special tax relief or full age allowance for single women at 60. The Prime Minister said that women were, on the whole, compelled to retire at 60 and that, in her view, this meant that single women were in a different position from men and married women of the same age.

I should be grateful if you could take this comment into account.

I am copying this letter for information to Don Brereton (Department of Health and Social Security).

SANDERS

R.I. Tolkien Esq
HM Treasury.

VLB

JFH



10 DOWNING STREET

From the Private Secretary

27 March 1981

Dear Richard

I enclose a copy of a letter the Prime Minister has received from Jeff Rooker, MP.

I would be grateful for a draft reply for the Prime Minister to send to Mr. Rooker, to reach us here by Friday 10 April.

Yours ever

Mike Paterson

Richard Tolkien, Esq.,
HM Treasury.

JFH



10 DOWNING STREET

From the Private Secretary

27 March 1981

Dear Mr Rooker

I am writing on behalf of the Prime Minister to acknowledge your letter of 26 March.

I will place this before the Prime Minister and you will be sent a reply as soon as possible.

Yours sincerely

Michael Paterson

Jeff Rooker, Esq., MP.



10 DOWNING STREET

PRIME MINISTER

GR

This letter from Jeff Rooker is about the taxation of women aged 60-64 years.

We will let you have a draft.

ms

MAP

27 March 1981



HOUSE OF COMMONS
LONDON SW1A 0AA

26th March, 1981

Rt Hon Mrs M Thatcher MP
Prime Minister,
10 Downing Street,
London SW1

127/3

Dear Prime Minister,

Taxation of Women aged 60-64 years

I write to draw your attention to the admission by Treasury Ministers that for the first time ever in the tax year 1981/82 single women aged 60-64 whose sole source of income consists of National Insurance Retirement Pension and Retirement Graduated Pension will in fact be called upon to pay Income Tax. I am sure this was unintentional.

The problem has arisen as a direct result of the freezing of the tax allowances combined with the fact that the age allowance, that is the higher tax allowance, is only granted to people at the age of 65. I am sure you will appreciate and will be advised that it is the case that Graduated Pension payable under the National Insurance Scheme is not in any way connected with or to be construed as an occupational pension. I should also point out that there will be other women affected, particularly widows, below the age of 60 who will for the first time ever be caught within the tax net. By tax net I mean they will actually pay Income Tax rather than having an income above the threshold but below the Inland Revenue's tax assessing tolerance. This means that many women who will have a graduated pension above 33p per week (the estimated average for women in the above age group for November 1981 has been given to me in a Parliamentary reply as 57p) will be in the quite ludicrous position of having a tax liability of some 55p-57p per week. This means that for those drawing less than the average it would actually pay them to seek not to claim the graduated pension which they paid for some years ago in order to stay below the Inland Revenue's tolerance for non-collection of small amounts.

Because of the complexity of the Social Security system and the way in which it interacts with the tax system I can well believe that no-one drew the attention of yourself, the Chancellor of the Exchequer or indeed the Secretary of State for Social Services to this problem during the formulation of the Budget proposals. However from various Parliamentary Answers the

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position is now abundantly clear and I hope, therefore, you will arrange for urgent steps to be taken such as the announcement of an increase in the tolerance used by the Inland Revenue; an increase in the single persons allowance; the granting of the age allowance to women at 60 or a special increase in the single persons tax allowance specifically for women from 60-64 years of age. I should add that not all of these suggestions will cover the position of widows below the age of 60 and this is something you may wish to take into account.

Of the several answers given by Ministers since the Budget the one I would particularly draw your attention to in respect of the first paragraph of this letter is the one given to me by Peter Rees MP in Hansard of 22nd March col 236.

I look forward to hearing from you.

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I am
Yours
J. M. Cook

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