

Confidential Filing

Capital Tax Reliefs for Heritage Property - proposed transfer of responsibility from Treasury to Inland Revenue.

GOVERNMENT

MACHINERY

March 1985.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3-85							
7/3/85							
11.3.85							
14.3.85							
PREM 19/15/11							

CC50



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 March 1985

N 15/3
Dear John,

Thank you for copying to me your minute of 1 March to the Prime Minister about your proposal to transfer statutory responsibility for some aspects of capital taxes reliefs from the Treasury to the Inland Revenue. Given that this seems to be little more than formalising existing arrangements, I have no objections to the transfer as such.

However, while it is true that neither DOE nor OAL are involved in the detail of the operation of the heritage tax reliefs, Grey Gowrie and I carry the Acquisition in Lieu budget on our vote together with sponsorship of the National Heritage Memorial Fund. These two factors inevitably mean that we are very much concerned with the effects of capital taxation as applied to the Heritage. What is important, therefore, is that those responsible for the administration of heritage reliefs keep closely in touch with those of us concerned with the Heritage itself. Three recent events - the reduction of rates in CTT and the effect this had on the special AIL price of Calke Abbey, the change in rules on VAT applied to alterations to buildings, and the correspondence between Peter Rees, Grey Gowrie and me on heritage provisions of the Capital Taxes Review - all point to us working more closely in this field. So I hope that the transfer of some technical experts from Treasury to Inland Revenue will enable Treasury to devote more effort to the policy side, and keep in close touch with OAL and my Department.

I am copying this to the Prime Minister, Peter Rees, Grey Gowrie and Sir Robert Armstrong.

Yours
Patrick

PATRICK JENKIN

Govt-Made March 85

Capital Tax Relief



15 MAR 1985

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10 DOWNING STREET

From the Private Secretary

11 March 1985

*Dear Helen*Capital Tax Reliefs for Heritage Property

The Prime Minister has seen the Financial Secretary's minute of 1 March. She has approved the proposal for a transfer from the Treasury to the Board of Inland Revenue of certain statutory responsibilities for capital tax reliefs on heritage properties.

I am copying this letter to John Ballard (Department of the Environment), Paul Thomas (Chancellor of the Duchy of Lancaster's Office) and Richard Hatfield (Cabinet Office).

*Yours**Mark Addison*Mark Addison

Ms Helen Goodman
HM Treasury.

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MINISTER FOR THE ARTS

NBPM

PRIME MINISTER

CAPITAL TAX RELIEF FOR HERITAGE PROPERTY: PROPOSED TRANSFER OF RESPONSIBILITY FROM TREASURY TO INLAND REVENUE

with AT?

I have no objection to the Financial Secretary's proposal of 1 March to transfer the present Treasury responsibilities in the field of heritage tax relief to the Inland Revenue.

For the record, however, I should correct the impression in Paragraph 6 that the Office of Arts and Libraries is not currently involved in the operation of these tax reliefs.

There are two main areas of concern to OAL. First, the operation of the arrangements to exempt works of art conditionally from capital transfer tax. We are concerned about the present effectiveness of this system, and currently seeking to discuss it further with the Revenue. Secondly, the acceptance of works of art in lieu of tax by the Board of Inland Revenue is of direct concern to my Department, because the National Heritage Act 1980 passed the responsibility for agreeing to these acceptances and for their subsequent disposal to the heritage Ministers.

While none of this invalidates the case which John Moore has made for a transfer of the Treasury's interests to the Revenue, it does indicate the need for closer relations with the Revenue on these complicated policy issues when the Exchequer responsibilities are no longer spread between them and the Treasury. I hope that the transfer will also be accompanied by an opportunity to improve the tax arrangements intended to help preserve our art heritage.

I am copying this letter to John Moore, Patrick Jenkin and Sir Robert Armstrong.

9.

GOWRIE
7 March 1985

RESTRICTED

CONDICION

11 MAR 1985

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VIAJEROS POR SER V&I





Prime Minister

Mr Moore's minute is attached.

Agree to the transfer of responsibility
 in view of Sir Robert Armstrong's
advice? M&A 573

Ref. A085/700

PRIME MINISTER

Yes

Capital Tax Reliefs for Heritage Property: Proposed Transfer of
 Responsibility from Treasury to Inland Revenue

I have seen the Financial Secretary's minute of 1 March proposing the transfer from the Treasury to the Board of Inland Revenue of certain statutory responsibilities for capital tax reliefs on heritage properties.

2. The argument for the transfer is that in practice the Inland Revenue processes much of the casework involved in capital tax reliefs on heritage objects. They have the resources and expertise to handle this work, and the transfer would unite statutory with actual responsibility. This would not only take the legal precaution referred to by the Financial Secretary. It would also eliminate some inefficient double-handling of the work by the fiscal departments. I therefore recommend you agree the transfer.

3. There are two other points I should add.

4. You asked me in December to conduct a review of the present division of responsibilities for heritage matters between the Department of the Environment and the Office of Arts and Libraries. This is in progress, but I think the proposed transfer can be decided without reference to that review. These Departments have never had any responsibility for tax reliefs, and the functions to be transferred consist of assessing and administering the tax rules, rather than exercising a discretionary choice between heritage objects according to merit. It would be inappropriate therefore for the Department of the Environment and the Office of Arts and Libraries to have any further involvement than their present role in allocating funds to heritage objects under the Acceptance in Lieu of Tax Scheme.



4. Secondly, the lawyers advise that this transfer may not be effected by a Transfer of Functions Order as it is not a transfer between Ministers. It will therefore need to be handled by a clause in this year's Finance Bill. It is unlikely, however, to attract particular attention.

R
Approved by
ROBERT ARMSTRONG
and signed his absence

7 March 1985

GOVT MACHINERY: Capital Tax Reliefs
for Heritage Property: March 1985



10 DOWNING STREET

NB. My Helen
Goodman or John
Maer's office when
PM has reached a
decision.

MSA 573

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CC NP

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Amalgamated from R7A on
6/3. Jo BF to MEA on 6/3



FROM: FINANCIAL SECRETARY
DATE: 1 March 1985

PRIME MINISTER

CAPITAL TAX RELIEFS FOR HERITAGE PROPERTY - PROPOSED TRANSFER OF RESPONSIBILITY FROM TREASURY TO INLAND REVENUE

This minute seeks your agreement to the transfer of a set of functions from the Treasury to the Inland Revenue. If we go ahead with this change, legislation will be required. This can be accommodated in the Finance Bill.

2. There are a variety of reliefs from CTT (and in some cases CGT), which are designed to encourage the preservation for the public benefit and enjoyment of objects and property of national, artistic, historic or scientific interest; and their retention as far as possible in private hands, or, failing that, their disposal to appropriate bodies, such as public galleries or the National Trust. Administration of these reliefs, as of the capital tax system in general, is a matter primarily for the Board of the Inland Revenue.

3. However the Treasury has statutory responsibilities for assessing the suitability of property for relief and of proposed recipient bodies; judging the seriousness of any breach of the undertakings; approving maintenance funds set up to support qualifying property; monitoring the activities of those funds; and other minor functions.

4. This arrangement is unsatisfactory, because:

- i) It is a recipe for delay and confusion in the handling of cases for responsibility to be split between two Departments in this way;

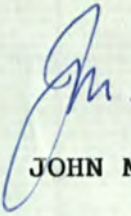
ii) the Treasury has no specific expertise of its own to bring to bear on casework of this kind. So some of the decisions which are formally for the Treasury have already been delegated to the Revenue. But we are advised that, for as long as statutory responsibility rests with the Treasury, such delegations are open to challenge.

5. The Historic Houses Association, the main interest group in this field, have recently been pressing for a transfer of these responsibilities from the Treasury to the Revenue.

6. I understand that you have asked Sir Robert Armstrong to carry out a review of the present division of responsibilities between the Department of the Environment and the Office of Arts and Libraries on heritage matters. But I hope you would agree that this proposal can be considered independently; neither DOE nor OAL are currently involved in the operation of the heritage tax reliefs, and were they to be so they would be equally reliant on the advice of the expert bodies and the Revenue.

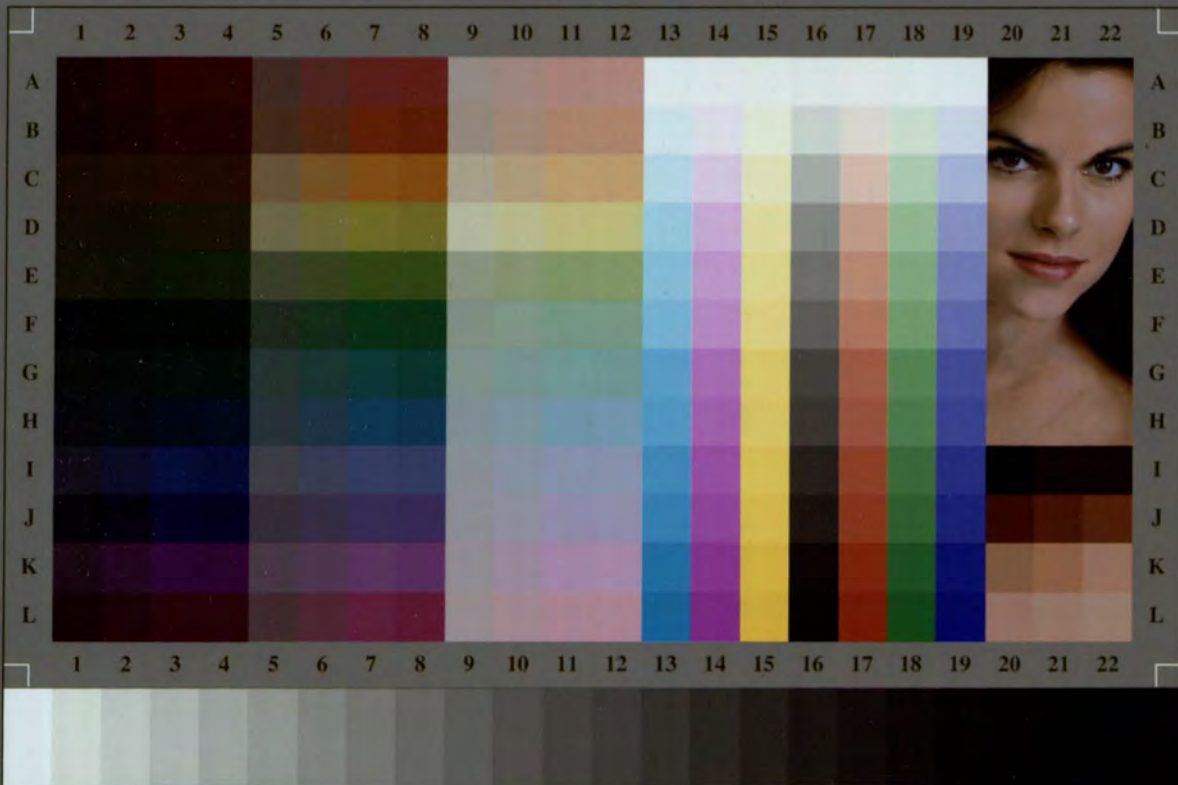
7. I should be grateful for your approval to this proposal.

8. I am copying this minute to Patrick Jenkin, Gray Gowrie and Sir Robert Armstrong.


JOHN MOORE

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