



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

LEVY ON INDEPENDENT TELEVISION CONTRACTORS

The Home Secretary sent me a copy of his minute to you of 9th January following our discussions just before Christmas.

2. We agreed that the levy system was unsatisfactory and that a better method should be devised. My main criticism of it is that, with corporation tax, it has the effect of an 80 per cent marginal tax on company profits. This does not help the companies to be cost-conscious and, as we have seen, has unfortunate consequences for the BBC, particularly in the pay area, with an inevitable effect on the level of the licence fee.

3. I therefore think it important to devise an acceptable alternative as quickly as possible. The most attractive possibility seems to me to put the levy charge, or part of it, on the companies' costs rather than profits. My suggestion for putting a charge on the IBA, which the Authority could then recover from the companies as a form of rent, was intended as a way of getting round some of the objections seen to either a return to the former revenue-based system or the complexities of devising a levy on expenditure. I accept the Home Secretary's view that we cannot use the existing powers to change the system. And

/I can also



I can also see that further work by officials will be necessary before we can give the go-ahead to any change. I therefore support the Home Secretary's view that the Broadcasting Bill should be introduced as drafted.

4. I would not however like to give up the prospect of doing something before next year. I agree that any change in the present system might well be controversial but the tactical advantage of moving this year is that companies will know what changes to expect before they enter into agreements for the new franchises and will not be able to criticise the Government for changing the rules after the game has started. I hope therefore that the Home Secretary will agree to keep open the option of making Government amendments to the Broadcasting Bill during its later stages if a practicable scheme has by then been devised. I also agree with the Home Secretary that something should be said at Second Reading about the unsatisfactory nature of the present system. How much can be said will depend on how much progress officials can make before that.

5. I am sending a copy of this minute to the Home Secretary.

(G.H.)

? 15 January, 1980