



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

PRIME MINISTER

MB

CHILD TAX ALLOWANCES FOR NON-RESIDENT CHILDREN

You will wish to be aware of the fact that one of the measures I will be announcing in my Budget Speech will be the withdrawal of child tax allowances for overseas children. The allowances will be withdrawn over a two year period, starting in 1981/82 with a £200 reduction from the present level (£365, £335 or £300 according to age) in 1981/82 and complete withdrawal in 1982/83.

2. The withdrawal of these CTAs will complete the general process of the withdrawal of child tax allowances, and their replacement by child benefit, which was begun in 1977. The phasing out of child tax allowances for non-resident children was originally postponed by one year, but it was postponed indefinitely in the Finance Act 1978 so that representations could be considered. The continued existence of these allowances is anomalous and the Ministers concerned (Home Office, FCO and DHSS) agree that they should be abolished. The decision to defer phasing out until 1981/82, and then to withdraw the allowance over a two year period, should minimise the impact of abolition and reduce criticism from the immigrant community. The five year gap between the original phasing out announcement and its final implementation is long enough to ensure that virtually all the children who were in the immigration pipeline at the start will have had time to get to this country before abolition takes effect.

/s. David Lane



3. David Lane accepted, in an earlier discussion with Peter Rees, that the child tax allowances could not continue indefinitely, and I do not think we should have any difficulty in dealing with complaints about the decision from immigrant groups.

A handwritten signature in dark ink, appearing to be "G.H." with a flourish.

R19 (G.H.)
March, 1980



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Handwritten signature or initials in blue ink.