

FROM: ROBIN HARRIS  
DATE: 3 February 1983

NOTE OF A MEETING OF THE CONSERVATIVE PARLIAMENTARY FINANCE COMMITTEE  
ON TUESDAY 1 FEBRUARY 1983

The meeting was attended by the Chancellor, the Financial Secretary, the Economic Secretary, the Minister of State (C) and the Minister of State (R).

Mr Maurice MacMillan made an introductory statement. He said that the date of the election was an important factor in establishing the proper nature of the Budget. He felt that previous examples suggested that early elections were politically bad. Foreign affairs issues would be of importance in considering electoral timing. He felt that the balance of arguments was against an early election. Consequently, the next Budget should not be the last before the election. In the meantime, the Government must try to keep down interest rates, bring down inflation and keep sterling steady. It should be willing to use reserves to take firm action when it considered that the lowest acceptable level of sterling had been reached. He outlined three groups of measures which should be considered for the Budget. First there were those which had little or no overall impact on economic activity. CGT and CTT burdens should be alleviated. Measures for job creation should be introduced. More help should be made available to small businesses. The enterprise allowance should be extended. The tax treatment of stock options should be changed. The Chancellor should consider abolishing the investment income surcharge, and do it now rather than later.

Secondly, there were measures which related to indexation. Income tax allowances and thresholds should be indexed as should CTT and CGT thresholds. Indirect taxes should be revalorised.

Thirdly, there were tax changes which would have significant economic effect. There the priority should be to help industry. The competitive advantage gained through lower sterling should not be wasted. However, clearly there was little which could be done to bring down the level of unemployment.

He believed that the Chancellor probably had more than £2 billion available for tax cuts. The Chancellor should take more notice of the need to help industry than to limit the PSBR. On balance, Mr MacMillan preferred raising tax thresholds by 6 per cent more than Rooker-Wise to abolishing the NIS. Beyond that he preferred reductions in corporation tax to other tax cuts to help industry.

Mr Townend said that the Chancellor should help make more people capitalists. The mortgage tax relief threshold should be raised. Interest on money borrowed in order to buy shares in firms for which one worked should be allowable against tax.

Sir Hector Munro wanted no increase in petrol tax; an alleviation of the burden of CTT on small owner/occupier farmers; more help for former assisted areas.

Mr Higgins said that this would probably be the last Budget in the Parliament. The Chancellor should abolish the earnings rule in order to keep the election pledge. NIS should be abolished. It was worrying that more companies were paying corporation tax. As far as personal taxation was concerned, the Chancellor should concentrate on thresholds.

Mr Maxwell-Hyslop said that the Chancellor should not raise indirect taxes. He should raise income tax thresholds. This meant savings in collection costs which should not be ignored. NIS should be abolished. Petrol taxes should be held down. Measures should be introduced to help the self-employed.

Mr Hordern said that this was likely to be the last Budget before the election. The priority should be to raise income tax thresholds and child benefit. Those out of work for more than a year should be

allowed to retire early as of right. The earnings rule for pensioners should be abolished.

Mr Eggar did not want "a give away" Budget. Thresholds were much more important than NIS. Some increase in pensions and child benefit should be made.

Mr C Morrison said that industry was more important than tax cuts for people. The industry lobby was very strong.

Mr H Millar said that the 1981 tough Budget had put the Chancellor in a good position now. He should aim at helping the industrial workers in the West Midlands. Real interest rates were still high. The Chancellor should more than index income tax thresholds and act on NIS and industrial costs.

Sir Paul Bryan said that action on investment incomes surcharge and CGT should wait till after the election. Income tax thresholds were the priority now.

Mr Madel said that help should be concentrated on the unemployed. Child benefit should be raised. Job splitting, job creation and early retirement were priorities. Local authorities should not be penalised for extra spending on the Youth Training Scheme beginning in the late summer.

Mr Prentice said that this year priority should be given to industry. This was right and politically advantageous. The broad lines of the CBI package should be adopted.

Mr Carlisle said that tax thresholds were most important. Action there helped the poverty trap, incentives and pay. The enterprise allowance should be expanded if it had been proved cost-effective.

Mr Peyton said that the NIS should be abolished.

Mr Beaumont-Dark agreed with Mr Higgins and Mr Millar. The Government should help industry's costs, as with the rates.

Lord Cranborne said that wider share ownership was important. 100 per cent allowances on capital equipment should be ended and the money used to reduce NIS and CT. Thresholds were more important than the basic rate.

Mr C Patten did not agree with Mr Eggar. Give away Budgets were necessary before elections. The NIS should be cut. Income tax allowances should be raised and not the standard rate. Child benefit should go up with thresholds. A relaxed view should be taken of the PSBR. So far, the small deficit had not given markets much confidence.

Mr I Mills said that lower industry costs were the priority. The earnings rule for pensioners should go. Action should be taken on the taxation of widows. Wider share ownership should be encouraged. So should management buy-outs.

Sir A Costain said that Schedule A should be reintroduced so that people could charge repairs done on their houses against tax.

Mr Jessel said that people should be able to buy duty-free goods at their point of arrival at airports etc.

Mr Rees-Davies said that industrial building allowances should be extended to hotels.

Sir A Meyer said that thresholds, child benefit, the age allowance were all very important. He did not think action on the investment incomes surcharge was possible now.

Mr Foreman said that the low paid in work should be helped and so action should be taken on thresholds and child benefit.

Mr M Morris said that the energy intensive industries should be a priority. VAT on charities should be dealt with. Anomalies concerning the taxation of war widows should be ended.



ROBIN HARRIS

3 February 1983

MACMILLAN  
HIGGINS  
MAYHEW - HULLOP  
MILLET  
PRENICE  
RETON

BEAUMONT - DARR  
CRANBORNE  
PATIEN  
MILLS

FINANCIAL COMMITTEE



1/2/1983

HOUSE OF COMMONS  
LONDON SW1A 0AA

(F)

M.M.

1. STRONG ARGUMENTS AGAINST A JUNE ELECTION
2. MAY BE ~~2~~ <sup>B-DAYS</sup> BEFORE ELECTION.
3. PURPOSES
  - (a) Interest Rate Down.
  - (b) Inflation Falling
  - (c) Sterling Strong
4. Be ready to use reserves.
5. TAX CHANGES - 3 CATEGORIES

(a) Special Savings will do with  
cost free fund

(i) CGT CIT

(ii) Small business Start Off.  
SHARE OWNERSHIP.

(iii) Added Investment Drive Savings.

15 m 1983/84

200 m in a full year.

THINGS THAT DO COST MONEY BUT DON'T AFFAIR ECONOMY

(i) Introduction of Income Tax, C.T.T

+ CGT + REVALUATION.

(c) TAX CHANGES WHICH DO AFFECT  
ECONOMY

- (i) HELP INDUSTRY INITIALISE ALLOWANCE
- (ii) Help rate to split low  
value of sterling;
- (iii) RAISE TAX THRESHOLD -  
ABOLISH POVERTY TAX.
- (iv) LOWER BASIC RATE RATHER  
THAN ABOLISH M. I. S.
- (v) DON'T WORRY TOO MUCH  
ABOUT P. S. B. Q.

### TOWNSEND

Increase rate of <sup>CAPITALISM</sup> capital  
~~25,000~~ 25,000 limit.  
Tax allowance for interest

### MORRO

Don't put capital tax up.  
C. I. I - Finance.  
Help for Finance ASSISTED AREAS.

### HILLING

EARNINGS RULE (APPLAUSE)  
HELP INDUSTRY - M. I. S. - ABOLISH  
CORPORATION TAX  
THRESHOLDS RATHER THAN BASIC RATE.



HOUSE OF COMMONS  
LONDON SW1A 0AA

Mr. H.

Don't put up indirect tax

THRESHOLDS

N.I.S. ABOLISH

PERIOD - NO INCREASE

SELF EMPLOYED

HORDEN

DIRECT TAX CUTS - THRESHOLDS  
CHILD BENEFIT (POVERTY TRAP)

AGE 60 OUT OF WORK FOR A

YEAR - RETIRE

EARNING RULE

F. C. G. M.

NO GIVE AWAY BUDGET

THRESHOLDS

CHILD BENEFIT

MORRISON

THRESHOLDS

HELP INDUSTRY

MILLER

AIM AS WIS MIDDLE AND

N.I.S.

BRAM

C.T.T. - C.G.T. AVIA ELKID.

THRESHOLDS

MAJIL

CHILD BENEFIT

JOB CREATION

EARLY ALIQUOTMENT

UNEMPLOYED SCHOOL LEAVEN

PAIMIKI

HELP INDUSTRY

CARLILE

THRESHOLDS

ENTRANCE ALLOWANCE

PITOM

N. I. S.

Q. DANK

HELP INDUSTRY

CRABORNE

WIDER SHARE OWNERSHIP

100% WRITING DOWN ON  
CAPITAL EQUIPMENT - WITHIN FIRST

TAA

N. I. S.

PATEN

EARLY ELKIDON

N. I. S.

THRESHOLD

CHILD BENEFIT

PSBA - DON'T WORRY

BE A LITTLE MORE EXPANDED NOW.



HOUSE OF COMMONS  
LONDON SW1A 0AA

MILLS

INDUSTRIAL COSTS

H.T.S.

EARNINGS RULE

WIDOWS

COMPANY CASES

RIGHT TO BUY SHARES

COSHAM

SCHEDULE 2 TO E.I. AD  
OF BLACK ECONOMY

JESSEK

JOINT SHARE AT END OF YEAR

REES. D.

EARNINGS RULE  
Unsubstantiated Penalty Allowances for  
Hotels

METZ

AGRI ALLOWANCE  
THRESHOLD

FORMAN

LOW PAID IN WORK  
THRESHOLD  
CHILD BENEFIT.

MORALIS

V.A.S. DE COMISSARIS

WAR WIDOWS

Pre 1973 - Post 1973