

Mr HowI asked forFROM: M M DEYES
DATE: 23 MARCH 1983Mr Spink" a jazzed-up version of the most exciting features
of Sir G Howe's 5 Budgets " (your words).

MS RUTTER ✓

This is the result.

BUDGETARY ACHIEVEMENTS

MCS 23/3

I attach as requested a note of fiscal and financial 'goodies' introduced since May 1979 with a star against those particularly designed or claimed to help employment - or ease unemployment. I have entitled it 'Budgetary Measures' as I have not been able in the time available to check that every one first saw light in a Budget rather than an Autumn Statement. The list is necessarily a somewhat arbitrary selection - I have not attempted to list all the detailed changes introduced since 1979 to help business, and I have omitted some non-fiscal measures like abolition of exchange controls or controls on pay, prices and dividends.

M M Deyes

M M DEYES

LIST OF HELPFUL BUDGETARY MEASURES SINCE MAY 1979

* General Economic Policy in Budgets

- Government maintaining consistent and responsible monetary and fiscal policies to bring down inflation and interest rates - essential to boost output and jobs
- Medium Term Financial Strategy first published with Budget in 1980 and updated yearly thereafter
- Hence inflation down from about 22 at peak to just over 5 per cent (February 1983). Bank base rates now down to 10½ per cent

Taxation - general balance

- Switch in emphasis from taxes on earnings to taxes on spending

PERSONAL TAXATION

- Income tax rates reduced to restore incentives and to provide scope for enterprise and initiative:
- Personal allowances and first higher rate threshold will be 5 per cent higher in real terms in 1983-84 than 1978-79
- Basic rate now 30 per cent (was 33 per cent)
- Top rate on earned income 60 per cent (was 83 per cent)
- Top rate on investment income 75 per cent (was 98 per cent)
- Investment Income Surcharge threshold £7,000 against £1,700
- Fairer tax treatment of fringe benefits and large golden handshakes
- Restoration of tax relief on employer-employee medical schemes

Tax reliefs dealing with specific social needs:

- War widows' pension completely relieved from tax
- Mobility allowance completely relieved of tax
- Widows' extra tax allowance in year of bereavement and/or subsequent tax year
- Gallantry awards - wider ranges qualifying for tax relief on pension additions
- Blind persons' income tax allowance doubled in 1979 Budget

CAPITAL TAXATION

- Reduction in weight of capital taxation
- Substantial reduction in number of CGT and CTT cases

- Thresholds indexed

Capital Gains Tax

- Significant changes to make tax fairer/less oppressive. Indexation introduced, to take account of inflation, from March 1982. Annual exempt amount for individuals increased from £1,000 to £5,300 (1983-84); and an annual exempt amount for trustees introduced. Complete roll-over relief for gifts.

Capital Transfer Tax

- Threshold raised from £25,000 to £560,000 (1983-84), and indexed; annual exemption £3,000 (£2,000); reduced rates on lifetime transfers (these rates apply also to the 10-yearly charge on discretionary trusts); lifetime cumulation replaced by ten year cumulation (1981 Finance Act); CTT relief on let farm land

Development Land Tax

- Single rate 60 per cent; replacing $66\frac{2}{3}$ per cent and 80 per cent previously. Relief for 'own use' industrial development, certain reliefs for housebuilders. Advance assessment scheme to remove uncertainties impeding development.

BUSINESS TAXATION

* National Insurance Surcharge - Reduction

- Cut to 1 per cent from August 1983 (was $3\frac{1}{2}$ per cent)

Corporation Tax

- Stock relief redesigned, with elimination of claw-back
- Small companies rate 38 per cent (42 per cent). Profit limits up to £100,000 with increase in upper limit to £500,000 (was £100,000)
- Small industrial workshops scheme (introduced 1980 to stimulate the construction of small industrial buildings) extended for very small premises until 1985
- VAT thresholds raised in line with inflation

Employee Share ownership

- Profit sharing tax reliefs significantly improved and new reliefs introduced for share option schemes

North Sea Taxation

- New arrangements instituted to simplify the structure of North Sea taxation while broadly maintaining the level of the Government's take
- Additional relief to encourage exploration, and no royalties to be payable on future fields

Self Employed

- Better tax reliefs on self-employed provision for retirement

Help to innovation and technology

- Measures include: support for information and space technology, electronics; first year allowance for British films, rented teletext receivers; Small Engineering Firms Investment Scheme; grants for industrial research and development

Help to Construction

- Various improvements in rules for tax allowances, stock relief, deferment of DLT liability; wider mortgage interest relief provisions; generous home improvement grants

MEASURES TO ENCOURAGE SAVING AND FACILITATE FINANCING OF BUSINESS

include:-

- Indexed National Savings Bonds made available for purchase by all
- Restrictions on indexed gilts lifted - now available to all investors
- Tax treatment of deep discount, zero coupon and indexed bonds clarified - way clear for issues by companies
- Provision of equity for unquoted trading companies encouraged by changes in tax when companies buy back own shares
- Venture Capital Scheme (losses on investment in new venture offsettable against other income)
- Business Start-Up Scheme introduced 1981, improved 1982, giving income tax relief on sums up to £20,000 a year invested in certain classes of new business ; further improvement 1983 Budget as Business Expansion Scheme
- Loan Guarantee Scheme: nearly £167 million already arranged for nearly £5,000 borrowers.

* FOCAL AREAS FREE OF RESTRICTIONS

- 'Enterprise Zones' set up in 24 locations, with sweeping reliefs and exemptions covering liability to rates and development land tax, together with generous investment allowances etc
- 'Freeports' (secure areas treated as being outside customs territory where goods can be manufactured, processed and stored and subsequently exported) to be introduced in limited number of locations

* SPECIAL EMPLOYMENT AND TRAINING MEASURES

In particular :

- Enterprise Allowance for unemployed people setting up in business; Job Release Scheme (extended to part-timers by 1983 Budget); Job Splitting Subsidy from January 1983; Community Scheme effective October 1982 .

Total

spending on special employment and training measures will be £2 billion in 1983-84 bringing direct help to $\frac{1}{4}$ million people.

OTHER

Charity Reliefs:

- Minimum covenant period reduced from seven years to four years
- Higher rate tax relief for payments under Deeds of Covenant up to relief on payments of £5,000 a year
- Removal of CTT exemption limit for transfers to charities
- Exemption of charities from development land tax on disposal of land
- Tax relief for businesses for expenditure of a charitable nature incurred 'wholly and exclusively' for purposes of the trade. Cost of employees seconded to work for charities a tax-deductible expense
- Stamp duty exemption for transfers to charities
- VAT zero rating extended to ambulances and wheelchairs given to hospitals, to cars adapted for disabled drivers or to carry disabled passengers, and to aids bought by charities for disabled

National heritage:

- National Heritage Fund established, and tax reliefs for heritage purposes improved and codified

Simplification

- Reduced rate band for income abolished
- Single rate of VAT from 1979
- Revision of 'close company' rules, including abolition of 'apportionment'
- Payment of Insurance Premiums net of tax effective 1979-80
- Mortgage interest relief at source from 1983-84

CHILD BENEFIT AND SOCIAL SECURITY

- CB from next November estimated will be at highest ever value in real terms
- pensions real value maintained over life of this Parliament