



FROM: FINANCIAL SECRETARY

DATE: 11 January 1983

CHANCELLOR

cc Chief Secretary  
Economic Secretary  
Minister of State (R)  
Minister of State (C)  
Mr Ridley  
Mr French  
Mr Harris

BRUCE SUTHERLAND'S LETTER OF 13 DECEMBER

I have the following thoughts on Bruce Sutherland's letter.

1. As between abolishing LAPR and Superannuation relief, and instituting a relief for subscription to equity shares (Loi Monory à la Sutherland) I vote strongly for abolishing the existing reliefs. It may be we should introduce his Loi Monory - and then say "look - everybody is getting a relief; let's abolish them all and use the proceeds to lower income tax". That would take too long, and be too devious in my opinion. I would prefer to press on with our plans to abolish the reliefs, and hope to implement them in the first post election budget. It is simple, avoids complications (think of the schedules to his Loi Monory clause!) and widens the tax base. But we must lower income tax (or increase the thresholds) when we do it.
2. To some extent, paradoxically and superficially, we are moving in his direction. The expanded BSS scheme is becoming an unlimited relief for investment in equity - but only for unquoted companies and unconnected persons.

Secondly, I hope you will favour my scheme to allow every employee to be given up to 15% of his gross salary in the form of shares in his company - whether private or public.

This replaced the stock options in the 1972 Act, and is just about as good for the top employees - but much better for the lowlier ones. It is not only because I believe a Labour Government would end

stock options (which they would, although there may well not be another Labour Government), but it is also because I believe it is wrong to have privileges which are available for some but not others. 15% of everyone's salary is defensible and fair. Options for the bosses but nothing for the others is not.

Overall these two - business expansion and share ownership - go a long way in Bruce Sutherland's direction. If we later abolished LAPR and superannuation relief they might appear too generous - but I am in favour of discriminating in favour of investors in shares.

The other question is, do we discriminate too much in favour of unquoted, as approved to quoted, shares? The answer is probably yes, but the best cure is to abolish IIS.

I would welcome a meeting, or a talk at Chevening, to discuss all this.

*ME Donnelly*  
pp NICHOLAS RIDLEY