

9

PRIME MINISTER

BUDGET : TAX REFORM

It is right to shift the balance to taxing spending rather than earning, to even up the treatment between institutional and personal savings and to put banks and building societies on a more even footing.

The direction is exciting. The only question is one of speed. Capital taxes should be reformed: couldn't DLT be abolished as a starter? Pension funds should be brought into the tax net: there is more than £2 billion of revenue in prospect if their income was taxed. Couldn't Norman Fowler be persuaded of the justice of this case, if only for next year?

The two main worries in the proposals are:-

- (i) Will newspaper proprietors object too violently?
- (ii) Is the net give-away in the CT package too generous when coupled with abolition of the NIS? Business cash flow and profits are up strongly and it would be a pity to give too much away for next year to the business sector.



J. REDWOOD

22 February 1984