



Ch/Ex Ref No B(84)544

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

PRIME MINISTER

NISSAN

You asked Norman Tebbit and me to discuss how to deal with the implications for Nissan of the Budget capital allowances changes. We have done so, and I can now report our agreed conclusion. As you suggested, our proposed solution is modelled closely on the transitional arrangements for Regional Development Grants.

2. The arrangement, which will be presented in the context of regional policy, will allow companies to keep the current rate of capital allowances if:

- i. The company in question has received an offer of selective financial assistance under Sections 7 and 8 of the Industrial Development Act 1982 (and equivalent legislation in Northern Ireland) after April 1980. (Since selective assistance can only be given to UK companies, an offer will be defined for this purpose as including notifications to a foreign parent company that the Government was prepared to make an offer to a UK subsidiary. This is Nissan's current position.) The concession stretches back to April 1980 because it would be difficult to justify excluding companies where the investment is far advanced, while providing the concession to companies which have received offers very recently.



- ii. The expenditure which attracts the selective financial assistance must also be eligible for Regional Development Grants. This will exclude projects in Intermediate Areas (where RDGs are not available) and will restrict the concession to largely manufacturing projects.
3. Nissan will certainly qualify. Although they will not decide on location until the end of this month, all the sites which they are considering are in Development or Special Development Areas, and it is a condition of the selective assistance offer that they go to such an area. The concession will cover over 2,000 other projects. There is a significant loss of tax revenue, estimated at some £130 million over the next eight years, of which £60 million relates to Nissan.
4. We will obviously be criticised by companies who have committed themselves to capital expenditure without any selective assistance or RDGs and will now be getting lower capital allowances. But our defence is obvious: we want to project the regions. It will be essential to hold this line, and to resist pressure for any extensions of the concession.
5. We clearly want to handle the presentation of the changes to Nissan in a low key. I suggest that arrangements be made for our Ambassador in Tokyo to see the company immediately after the Budget to assure them - on instructions from you - that the transitional arrangements will ensure that the tax changes will not affect the project in any way.
6. A copy of this minute goes to Norman Tebbit.

*Margaret O'Hara*

N.L.  
8 March 1984

*(approved by the Chancellor and  
Signed in his absence)*