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CC(86) 8th  
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 27 FEBRUARY 1986  
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Viscount Whitelaw  
Lord President of the Council

The Rt Hon Lord Hailsham of St Marylebone  
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP  
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science

The Rt Hon Peter Walker MP  
Secretary of State for Energy

The Rt Hon George Younger MP  
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales

The Rt Hon John Biffen MP  
Lord Privy Seal

The Rt Hon Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP  
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP  
Secretary of State for Northern Ireland

The Rt Hon Michael Jopling MP  
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP  
Secretary of State for Transport

The Rt Hon Lord Young of Graffham  
Secretary of State for Employment

The Rt Hon Kenneth Baker MP  
Secretary of State for the Environment

The Rt Hon Kenneth Clark QC MP  
Paymaster General

The Rt Hon John MacGregor MP  
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Scotland

The Rt Hon Paul Channon MP  
Secretary of State for Trade and Industry

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

The Rt Hon John Moore MP  
Financial Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong	
Mr D F Williamson	(Items 2-4)
Mr C L G Mallaby	(Items 2-4)
Mr J B Unwin	(Item 6)
Mr A J Wiggins	(Item 6)
Mr A J Langdon	(Items 1 and 5)
Mr R Watson	(Items 1 and 5)

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PARLIAMENTARY  
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Shops Bill

THE PRIME MINISTER said that the Cabinet would wish to congratulate the Lord President of the Council on the successful conclusion of the Shops Bill in the House of Lords.

Previous  
Reference:  
CC(86) 7th  
Conclusions,  
Minute 1

Pensioners'  
Lobby

THE PRIME MINISTER said that a Lobby by the National Pensioners Convention on 6 March would coincide with a debate on a motion by the Opposition about the plight of the elderly. It was important that during the debate and in the response to the Lobby the Government should stress the amount of resources which had been devoted to pensioners, in particular as a result of the commitment to increase pensions in line with inflation. The Government's record in this respect stood up notably well in comparison to that of its predecessors. All Ministers should take the opportunity to stress the Government's record in this area.

British  
Leyland

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that, following the invitation to other companies to bid for parts of British Leyland, there had been firm indications from only one potential bidder. Others had until 4 March to produce something firm and it was possible that one more bidder might emerge. In the meantime, the Government would keep all its options open. A group of Ministers most directly concerned had been set up to consider the tactical handling of the issue. He would keep Cabinet informed of further developments.

Previous  
Reference:  
CC(86) 7th  
Conclusions,  
Minute 1

Teachers'  
Dispute

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the National Association of Schoolmasters/Union of Women Teachers had on the previous day voted by a significant majority to accept the agreement put forward by the Advisory Conciliation and Arbitration Service (ACAS). The Burnham Committee was meeting on the following day and the employers' side would have to decide whether they wished to proceed with their offer. They had previously said that they would not do so while disruption continued in schools; the National Union of Teachers had agreed to suspend strike action, but were not prepared to restore good

Previous  
Reference:  
CC(86) 2nd  
Conclusions,  
Minute 2

will. The employers' side would probably accept the position and ratify the agreement. In that case, the next step was to proceed with the ACAS initiative on the conditions of service of teachers and ACAS were ready to appoint three "wise men" to undertake this.

Northern  
Ireland  
  
Previous  
Reference:  
CC(86) 7th  
Conclusions,  
Minute 4

THE PRIME MINISTER said that on 25 February she had had a meeting lasting 1½ hours with Mr James Molyneux MP (leader of the Ulster Unionist Party) and Mr Ian Paisley MP (leader of the Democratic Unionist Party). She had made strenuous efforts to respond to unionist concerns about the Anglo-Irish Agreement. She had offered new arrangements for consultation between the Government and the unionist community on affairs in Northern Ireland. Such consultation could go wider than matters discussed in the Anglo-Irish Intergovernmental Conference and could include security questions, for the discussion of which the Chief Constable of the Royal Ulster Constabulary could be present. She had also offered discussions about the future of the Northern Ireland Assembly and about the way in which Northern Ireland business was currently handled in Parliament at Westminster. She had also agreed to consider the Unionist leaders' suggestion of a round table conference, together with the other Northern Ireland parties, about devolution in Northern Ireland. She had pointed out that under the Anglo-Irish Agreement subjects which were devolved to an administration in Northern Ireland would be removed from the scope of the Intergovernmental Conference. The two Ulster Unionist leaders had agreed to reflect on what had been proposed and to meet the Prime Minister again soon. They had recognised that the Government would not tear up the Anglo-Irish Agreement. The Prime Minister had made clear that the Agreement would be implemented. The first public statements by the two leaders after the meeting had been in line with what had passed. But after their return to Northern Ireland they had been subject to pressure from more extreme supporters. Although she had heard nothing more from them, they had said publicly that they would not meet the Prime Minister again and would support a one-day strike on Monday 3 March.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the initial public impact of the Prime Minister's discussion with the two Unionist leaders had been good. They had approved in advance the statement from 10 Downing Street on the outcome of the meeting, but were now denying this and presenting in public a false account of the meeting. Their volte face created a worrying situation. The unionists hoped that the strike on 3 March would close ports, airports and roads and close down the electricity supply industry for at least part of the day. Contingency plans had been made for such eventualities, but it would be very hard to impede the kind of action extending over a limited period that the unionists were planning. Meanwhile, Belfast City Council had refused to comply with a court order to set a rate and were now in contempt of court. The Northern Ireland Department of the Environment would set a rate and also collect the rates.

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In discussion, it was pointed out that the Government had strong popular support in its policy of implementing the Anglo-Irish Agreement.

THE PRIME MINISTER, summing up the discussion, said that the Government's next steps in the difficult situation that had now developed in Northern Ireland should be discussed urgently by the ministers most closely concerned.

The Cabinet -

Took note.

FOREIGN AFFAIRS

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The Philippines

Previous Reference: CC(86) 7th Conclusions, Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the former President of the Philippines, Mr Ferdinand Marcos, had now left the country and had been offered asylum in the United States. The transition from President Marcos to the new President, Mrs Corazon Aquino, had taken place virtually peacefully, against the background of sustained United States pressure on the former President not to initiate violence. The situation in the Philippines was now returning to normal. There had been no reports of harm to British subjects. The new Government was very inexperienced, and would have to cope with a substantial residue of supporters of the former President in powerful official positions. There was also a problem of Communist insurgency. But the new Government would enjoy wide public support.

In a short discussion, it was noted that President Aquino seemed to be inclined politically towards the West. She was likely to try to hold off the Communist insurgency, and was more likely than the former President to undertake the social reforms which were needed in order to erode public support for the Communists.

Egypt

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been substantial rioting in Cairo. A curfew had been imposed. It appeared that no foreigners had been hurt. The immediate cause of the rioting had been disaffection in the paramilitary Security Police on the grounds of inadequate pay and conditions of service. But this was not the first sign of dissatisfaction in Egypt with the Government led by the President, Mr Hosni Mubarak. If President Mubarak re-established a normal situation quickly, there might be little cause for worry. But there was also a possibility of continuing economic and political dissatisfaction in Egypt. There were 4,600 British subjects in Cairo.

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Arab/Israel  
Relations

Previous  
Reference:  
CC(85) 13th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the speech by King Hussein of Jordan on 19 February had marked the end of the King's current initiative for peace in the Middle East, but the King had not excluded the possibility of making further moves in the future. One of his purposes had been to shock the leaders of the Palestinian Liberation Organisation (PLO), in the hope that they might reconsider their intransigent attitude. The subject had been discussed by Foreign Ministers of the European Community countries on 25 February. The Foreign and Commonwealth Secretary had persuaded his European Community colleagues not to launch any new initiative but to agree that the Presidency should keep itself informed about the situation. Nothing should be done by the European Community countries which might build up the position of the leader of the PLO, Mr Yasser Arafat. The Syrian Foreign Minister would be visiting London on 3-4 March. It was important to keep in touch with the Syrian Government, but concrete results were not expected from these discussions.

Iran/Iraq  
War

Previous  
Reference:  
CC(86) 7th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a limited Iranian offensive in Kurdistan on 24 February. Iraq was expected to retake the positions lost there. Iraq was making slow progress against the Iranian forces which had recently occupied the area surrounding the town of Fao. There were continuing rumours of a possible Iranian threat to Kuwait or Saudi Arabia. A move of this type by Iran could not be excluded, but on balance it did not seem likely. In the United Nations Security Council, the United Kingdom had helped to secure the adoption of a resolution which was more even-handed than any so far passed on this subject by that body. It provided, for what it was worth, a better basis for negotiation in the future; but Iran could not be expected to respond helpfully to it.

South Africa

Previous  
Reference:  
CC(86) 6th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the co-Chairmen of the Commonwealth Eminent Persons Group, Mr Malcolm Fraser of Australia and General Olusegun Obasanjo of Nigeria, accompanied by Dame Nita Barrow of Barbados, had completed their preliminary visit to South Africa. This had been successful. They had had a wide range of contacts and had been well received by the South African Government. All members of the Eminent Persons Group would visit South Africa from 2 to 14 March. The South African Government was adopting a fairly helpful attitude towards this visit, perhaps because it realised that it had few other options for promoting dialogue.

Congress of the Communist Party of the Soviet Union

THE FOREIGN AND COMMONWEALTH SECRETARY said that the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, had made a speech lasting six hours on 25 February, the first day of the 27th Congress of the Party. The text would require close study. It appeared to contain much rhetoric of a predictable kind. But there had been some references to the question of economic reform which might prove interesting. Mr Gorbachev had appeared willing to look reasonably positively at the latest proposal by the United State President about reductions in intermediate range nuclear forces. Mr Gorbachev had also indicated willingness to consider withdrawal of Soviet forces from Afghanistan in the right circumstance. This point might be characteristic of Mr Gorbachev; he was willing to identify the major problems, even when their solution was hard to find.

Argentina  
Previous Reference: CC(86)7th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that a Parliamentary delegation from Argentina had visited the United Kingdom from 16 to 22 February at the invitation of the South Atlantic Council, a group of Members of Parliament and others interested in promoting better relations with Argentina. The visit had passed off well. The delegation had heard strong presentations of the British position concerning relations with Argentina and of the reasons why the Government would not contemplate negotiations about sovereignty over the Falkland Islands. The refusal by the delegation of an offer of a meeting with the Parliamentary Under Secretary of State, Foreign and Commonwealth Office, had reduced its credibility in this country.

Botswana

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Property Rights (European Court of Human Rights Decision)

The Cabinet had a short discussion of the decision of the European Court of Human Rights in Strasbourg in the case brought by the Duke of Westminster's Grosvenor Estate claiming that the Leasehold Reform Act 1967 violated its property rights. It was noted that the judgment had in fact confirmed the existing arrangements in the United Kingdom.



The Cabinet -

- 1. Took note.

Trinidad and Tobago The Cabinet had a short discussion about the demonstrations against the England test cricket team currently visiting Trinidad.

The Cabinet -

- 2. Invited the Foreign and Commonwealth Secretary, in consultation with the Secretary of State for the Environment, to establish the attitude of the Government of Trinidad and Tobago towards the demonstrations and to ensure that the England test cricket team were receiving appropriate official advice about their response to the demonstrations.

COMMUNITY AFFAIRS  
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 Agriculture  
 Previous Reference:  
 CC(86) 6th Conclusions, Minute 3

- 3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council of Ministers (Agriculture) on 24-25 February had had a first discussion of the Commission's price proposals for 1986-87. In view of the forthcoming French and Dutch elections it was likely that discussions would continue for a long time, possibly until the summer. The Council had reached agreement, however, on certain structural measures including an agricultural development programme for the Scottish islands. Agreement had also been reached on arrangements for starch and sugar to be used in industrial processes.

Age of Retirement (European Court of Justice Case - Miss Marshall)

THE PAYMASTER GENERAL said that the European Court of Justice (ECJ) had decided in the case (152/84) of Miss Marshall, who was formerly employed by the Southampton and South West Hampshire Health Authority, that the dismissal of a woman on the ground that she had passed the State retirement age in circumstances where a man would not be dismissed was discriminatory. This result was not surprising. The judgment, however, should not be loaded with wider significance. The practice of Health Authorities and similar bodies in any event differed. Furthermore, the judgment did not relate to the question of pensionable age but only to discrimination over the right to continue working. For the longer term more flexible practice on retirement age would need to be considered. It would also be necessary to look at the terms of the Sex Discrimination Bill which was just being introduced, but it was too early to decide whether any changes were needed. In general, he thought that the significance of the judgment should not be overplayed.

In discussion it was pointed out that the ECJ had also decided that in this case the Directive did have direct effect, in the sense that it could be relied on against a State authority acting as employer in order to avoid the application of a national provision not conforming with the Directive.

The Cabinet -

Took note.

ECONOMIC  
AFFAIRS

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Unemployment

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the monthly figures would show a decrease of 26,000 in the number of unemployed but that the seasonally adjusted figure was an increase of 5,000. The underlying trend was probably marginally upwards. On a seasonally adjusted basis the number of vacancies was up by about 9,000. He intended to emphasise that these changes were small and did not indicate a strong trend in either direction. The pilot schemes which were concerned with the situation of the long term unemployed in some specific areas were beginning to show useful results.

The Cabinet -

Took note.

LEGISLATIVE  
PROGRAMME  
1986-87 AND  
1987-88

5. The Cabinet considered a memorandum by the Lord President of the Council (C(86) 8) setting out the recommendations of The Queen's Speeches and Future Legislation Committee (QL) for the 1986-87 legislative programme and for advance places for the 1987-88 legislative programme.

THE LORD PRESIDENT OF THE COUNCIL said that the programme of legislation in the present Session was exceptionally heavy and the Session was bound to end late, with a substantial spillover after the Summer Recess. It went without saying, too, that planning for the next Session should leave maximum room for manoeuvre for a possible General Election. Within these constraints QL had compiled a recommended programme that sought to achieve the right balance in both political and business management terms, and he commended their recommendations to Cabinet. Although the recommended programme was not large in terms of the number of Bills, it included a number of long and weighty measures. If any further Bills were included, room would have to be made for them by dropping Bills from the present list. He drew particular attention to the inclusion of two hybrid Bills, on the Channel Fixed Link and on the Broads. The second of these was expected to be popular amongst

environmentalists. QL wished to consider possible advance places for 1987-88 in the light of Cabinet's discussion of the programme for 1986-87, and recommendations for advance places were not put forward at present.

The following points were raised in discussion -

- a. The Licensing Bill would be a popular measure, with benefits for tourism and employment. If the Shops Bill could be satisfactorily concluded, it should be easier to proceed with the Licensing Bill. On the other hand amendment of the licensing laws would find passionate opponents as well as supporters and it was questionable whether it was wise to proceed with it in a Session, towards the end of a Parliament, that would be starting late and would have much heavy business.
- b. It might be necessary to give further thought to the need for legislation on corporal punishment in schools, on which the United Kingdom was at present in breach of a judgment by the European Court of Human Rights. It was probable, however, that an amendment on this matter would be made to the Education Bill during its passage through the House of Lords, and further consideration could not usefully be given to the subject until the position was clearer on that front.
- c. There was a strong case for including a Bill (which would be hybrid) on the Dartford Crossing. Improvement of the crossing facilities at Dartford was essential for the M25 motorway, which was now nearing completion, to play its full part in relieving traffic flows around London. In addition, the construction of improved facilities at Dartford would bring employment benefits and could be presented as a private sector development project alongside the Channel Fixed Link and the proposed Canary Wharf development. As a hybrid Bill, a measure for the Dartford Crossing would need to be based on a specific proposal for the works involved, and this could not be finalised until the results of a competitive tender were available later in the year. Hybrid Bills could, however, carry over from one Session to the next.
- d. The Merchant Shipping Bill had failed to find a place in successive legislative programmes, and there was now a paramount need to find a way of showing the Government's concern to halt the decline of the British shipping industry. Reorganisation of marine pilotage would be warmly supported by the shipping and port industries, and it would be possible to proceed with this part of the Bill alone.
- e. The Child Care Bill was directed at issues that could become very topical at any time, and it would be a generally well-received measure. If it was not possible to include it in the 1986-87 Session, there was a particularly strong case for giving it an advance place for the following Session, so that consultations could go ahead with the various interested groups.

f. Further legislation on industrial relations was probably most appropriate for a Manifesto commitment, and for legislation early in the life of a Parliament.

g. The Water Authorities Privatisation Bill would provide a vehicle for legislation on land drainage and coast protection. how far this might go, beyond the essential provisions that flowed from the privatisation of water authorities, was a matter that needed further consideration.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet broadly agreed with the programme for 1986/87 proposed by QL and listed in Annex A to C(86) 8. It was agreed in principle that Bills on the Dartford Crossing and on marine pilotage (though not the remaining contents of the Merchant Shipping Bill) should be added to the programme, subject to further consideration of timing and content. The Cabinet was not disposed to include legislation on industrial relations or on amending the licensing laws in the 1986-87 programme. Legislation on child care might well be appropriate for an advance place for the 1987-88 programme (or for a commitment in a General Election Manifesto). QL would now need to consider both the advance places and any necessary revisions to the proposed programme for 1986-87, in the light of the discussion and of the decisions that had been made.

The Cabinet -

1. Approved the legislative programme for 1986-87 put forward by The Queen's Speeches and Future Legislation Committee in Annex A to C(86) 8, with the addition of measures on the Dartford Crossing and on marine pilotage, subject to discussions between the Secretary of State for Transport, the Lord President of the Council and the Lord Privy Seal on their timing and content.

2. Invited the Secretary of State for the Environment to discuss with the Minister of Agriculture, Fisheries and Food the extent to which the Water Authorities Privatisation Bill might include provisions on land drainage and coast protection, and to report any proposals for a significant extension of the Bill to the Lord President of the Council as soon as possible.

3. Invited the Lord President of the Council to arrange for The Queen's Speeches and Future Legislation Committee to consider the advance places that might be given to Bills for the 1987-88 Session, and to review the proposals made for the 1986-87 Session in the light of the Cabinet's discussion and decisions.

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(86) 7), to which was attached the draft text of his proposed Green Paper on the Reform of Personal Taxation.

THE CHANCELLOR OF THE EXCHEQUER said that a preliminary indication of the proposals in his draft green paper had been given in the course of his 1985 Budget Speech. He now proposed to publish the Green paper on Budget Day, 18 March. The main proposal was for the institution of a system of Transferable Allowances (TAs); this idea had first emerged in the Green Paper issued in 1980 by his predecessor, the response to which showed great dissatisfaction with the existing system. Following the Green Paper, TAs and Mandatory Separate Taxation of married women (with some improvements in social security benefits) had been recognised as the two most promising approaches to reform. The Green paper would confirm the Government's choice of TAs; under this system all adults would have standard allowances against income tax, whatever their marital status, and the special place of marriage in society would be recognised by providing for the unused part of a person's allowance to be transferred to her or his spouse. At the same time married women's right to independence and privacy in their tax affairs would be established, and the present situation under which the Inland Revenue dealt only with the husband on all aspects of the wife's tax affairs would be ended. The new arrangements would end the present tax discrimination against women who stayed at home to look after their children, and would get rid of the present anomaly whereby when a wife stopped work she and her husband had to pay a higher proportion of their reduced income in tax than they did when both were working. Once the new system was in place, any given amount of revenue forgone through increases in tax allowances would have a considerably greater impact than at present in taking one-income families out of the unemployment and poverty traps. Finally the change would remove the actual tax penalties imposed by the present system on marriage, notably through the aggregation of the wife's investment income with that of her husband.

As well as the main issue of TAs, the Green Paper covered a number of other taxation issues which were the subject of considerable public interest. These included the scope for integrating the tax and social security systems, and for rationalising taxation and national insurance contributions. There was also a discussion of the possible scope, after the computerisation of the personal tax system, for simplifying the system by the introduction of self-assessment and non-accumulation within each financial year. So far as bringing together tax and social security benefits was concerned, the text made clear the practical and philosophical difficulties; although there was some scope for rationalisation which would be pursued, care would need to be taken to avoid treating in the same way income which taxpayers earned for themselves and money they received from the State. The Green Paper made clear that there was no question of commitment to any particular cost and timescale for the change. Nothing could be done before 1990 because of the prior need to complete the computerisation of the personal tax system; thereafter implementation of the changes would depend on the economic circumstances at the time and on the Government's assessment of priorities. Phasing the introduction of TAs over a period of years

could greatly reduce the costs in any one year. Although there was no question of any immediate action, it was essential to undertake the consultation without delay in order to clear the way for the development of appropriate programming for the Inland Revenue computer system, so that it was ready to accommodate whatever decisions the Government took in the years after 1990. Although the Green Paper proposals would not receive a universal welcome, the responses first to the 1980 Green Paper and then to his 1985 Budget Speech indicated that there should be substantial support for them both within the Conservative Party and among voters more generally; in particular the introduction of TAS should generally be welcomed by those concerned about the position of women in society.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that he supported publication of the Green Paper, and recognised the attraction of the Chancellor of the Exchequer's proposals. He was conscious, however, that the introduction of TAS could require the commitment of up to some £5 billion, which might make it more difficult to meet claims for additional public expenditure in politically sensitive fields, including those for which he was responsible. The question might well be raised whether the very substantial resources required by TAS were being targeted accurately enough at groups the Government wished to help; the change would actually give more help to over 1 million one-earner couples without children than it would to one-earner couples with children. He had therefore suggested that a Family Tax Allowance might be grafted onto the Chancellor of the Exchequer's proposals, which would go to help families with children whether the wife worked or not. Such a system would be more effective than straightforward TAS in reducing the numbers of families in the poverty and unemployment traps, and would appropriately recognise the priority the Government gave to the family. He noted that the Chancellor of the Exchequer considered that the mention of an idea on these lines would change the character of the Green paper, and did not press his point at this stage; but he thought it important that there should be no question of legislation to implement the Green paper's proposals before the next General Election.

In discussion the following further points were made -

- a. The mention of the possibility of a Family Tax Allowance would in practice reopen the argument about the proper means of provision for child support which had been settled by the institution of the present child benefit arrangement. In so far as the benefit of a Family Tax Allowance would go to the husband rather than the wife, this would run counter to the main element in the Chancellor of the Exchequer's proposals.
- b. Although the minor personal allowances were illogical and derisory, it was doubtful whether their prospective abolition should be so clearly indicated.
- c. The present "subsidies" to unmarried couples (a double allocation of mortgage interest and capital gains reliefs, and the

possible double benefit from the additional personal allowance) were particularly undesirable. The Green Paper proposals would remove the present injustices.

d. Although there could be no question of abandoning the contributory principle, which had recently been restated in the Government's White paper on Social Security, there was a section of opinion (represented among the Government's supporters in the House of Commons) which saw scope for advantages and savings from moves towards intergration of the tax and social security systems. The text should not exclude the possibility of some moves in this direction, where these could be shown not to be inconsistent with the Government's other objectives and with the maintenance of the contributory principle.

e. Ending the aggregation of the wife's investment income would cost £100 million a year. Although this would be a significant benefit to better-off taxpayers, the present situation was seen clearly to be unjust even by people with no prospect of ever themselves attaining the higher rate tax brackets.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the publication on Budget Day of the Chancellor of the Exchequer's proposed Green Paper on the Reform of Personal Taxation. Subject to further consideration of the points made in discussion, they were content with the text as it stood, although they recognised that it would need to be amended to take account of any changes in tax rates and allowances made in the 1986 Budget. Although there was every prospect that the proposals in the Green Paper would receive a favourable reception, there could be no question at this stage of any commitment by the Government to a timescale for their implementation. Nor could there be any question of legislation on the lines of the Green Paper until after the next General Election.

The Cabinet -

Approved the publication on 18 March of the Chancellor of the Exchequer's proposed Green Paper on the Reform of Personal Taxation, subject to the points made in discussion and in the Prime Minister's summing up.

Cabinet Office

27 February 1986