

889

CC MURPHY

file



cc: John Redwood

10 DOWNING STREET

From the Private Secretary

18 January 1984

MR. PETER ROWLAND: TAX SIMPLIFICATION

The Prime Minister saw Mr. Peter Rowland yesterday at a meeting which was also attended by the Chancellor of the Duchy of Lancaster. The Prime Minister said she was most grateful to Mr. Rowland. His ideas had instigated a most productive debate within Government. She fully accepted that tax legislation could be redrafted in a much simpler and clearer way and that the process of successive amendments to the law had made it complex and had produced anomalies.

The Prime Minister said she was not, however, convinced that Mr. Rowland's proposal for a progressive re-write of tax legislation in simpler form was the correct one. The Chancellor of the Duchy explained that, over the course of this Parliament, the Government would be looking at the whole field of taxation. The first stage was, for each tax or block of tax, to consider whether there was a case for a major structural reform. The sequence in which this reform should be taken would then have to be decided. Improvement and simplification was best undertaken as part of this process of structural change. Finally, consolidation should be undertaken. It was important to work in this sequence as it would be absurd to attempt the second and third stages, if subsequently a major change in structure were implemented.

Mr. Rowland thought that with two or three assistants a programme of re-writing the tax legislation, which might reduce its length to between a half and two-thirds of that at present, would take just over a year.

The Prime Minister thought Mr. Rowland might be under-estimating the difficulty of the task. Only consolidation, on which a Lord Chancellor's Committee would soon be starting work, could go through the House without debate because there was a guarantee that no change in the law was being made. Simplification, e.g. the elimination of unnecessary and out-dated allowances, would involve a change in the law. These could well be contentious as almost every provision in the tax law had a constituency. In addition to the constraints of Parliamentary time, there was a shortage of draftsmen.

/ Summing up

AA

CONFIDENTIAL

-2-

Summing up, the Prime Minister thanked Mr. Rowland for his part in stimulating the debate on tax reform. Ministers would be considering their long term strategy on the structure of tax. Once Ministers were clearer about the general direction and the sequence in which they wished to tackle the various taxes, the Chancellor of the Duchy would be in touch with Mr. Rowland to see what help and advice he could provide in the process of simplification and redrafting.

I am sending a copy of this letter to John Kerr (HM Treasury).

Andrew Turnbull

Alex Galloway, Esq.,
Chancellor of the Duchy of Lancaster's Office.

CONFIDENTIAL