



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

CC/10

NBRN

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

17 October 1985

John Moore

In his letter to me of 9th September, John Moore set out the Treasury's general agreement to the draft response to the Gregson Report I circulated with my letter of 31st July.

He did not, however, share my view that the climate would now be right to establish a working group of officials and representatives of industry to assess the scale and value of current tax reliefs for industrial donations to the education service. This idea did find favour from Tom King (who saw merit in covering training as well), David Young, Michael Lucas and Allan Stewart. Quintin Hailsham, joining with John Moore in resisting the idea, observed that education is a charitable purpose. The laws governing charitable donations certainly help those institutions which have charitable status. In this connection, I have now seen a copy of Douglas Hurd's letter to you of 15th October, drawing attention to ~~Sir~~ Adam Ridley's proposals for tax incentives and other measures to increase giving to charities. I believe that more should be done to stimulate giving to charities and I hope you will be prepared to give these proposals serious consideration. However, the bulk of further and higher education institutions maintained by local education authorities (including all polytechnics except the 5 maintained by ILEA) do not have charitable status, and it has in any event been represented to us frequently that greater stimulus is required.

I am fully sensitive of the need to avoid raising unrealistic expectations about the extent to which companies may become eligible for more generous tax arrangements. And I note John Moore's argument that present tax reliefs, taken in the round, are on a par with those of other countries such as the US - but may perhaps be insufficiently exploited as they stand. At the same time I am bound to say that this message has been repeated to representatives of industry and commerce in the past but has failed to satisfy them, either because they cannot understand the argumentation underpinning it or, perhaps, because they have insufficient knowledge about the particular reliefs available and how these might help their

wish to increase the current scale of industrial donation - a goal which we all share.

It does seem to me, therefore, that if you continue to oppose the establishment of a group on the lines of that I proposed and irrespective of any further action that you may on reflection feel able to take in the light of Douglas Hurd's letter, it is incumbent upon us to take other steps to ensure that our position is fully understood and, in particular, that current arrangements for assisting industry and commerce in pursuit of this important goal are widely appreciated and used to the full.

Substantial progress in this direction could be made by an urgent re-examination of the material currently available offering advice to industrial and commercial firms on the tax measures applicable when donations to education institutions (and other charitable and voluntary objects) are in prospect. Some material of this kind is made available through the Charities Aid Foundation, whose seminar on the subject I addressed a fortnight ago, and the Inland Revenue may themselves make material available. But more or clearer material may be needed. Could I therefore suggest that officials of your Department and others involved should come together to identify the information currently available and assess the need for more comprehensive and easily assimilable guidelines to be made available? We could at the same time present this in our response as a positive step, fully consistent with the view that existing arrangements are adequate, and make suitable reference to it in the Report by means of the revised drafting passage attached.

Perhaps you would let me know whether you would now agree to take matters forward in this way including, in particular, by the change I have suggested to the draft response. As you will know, the latter is now somewhat overdue and Lord Gregson is pressing us. I would be grateful if you could let me have your response, and learn of any further views from colleagues, by 22 October.

Copies of this letter go to the Prime Minister, Members of H. Committee, the Secretaries of State for Trade and Industry and for Defence, Sir Robert Armstrong and Sir Robin Nicholson.

Erin.

Kerr

RESPONSE TO THE HOUSE OF LORDS SELECT COMMITTEE ON SCIENCE AND TECHNOLOGY

RESPONSE TO RECOMMENDATION 17 and 19 - AMENDMENT

1. Delete : last sentence of existing paragraph 45 and replace by:-

"The Government sees no case for introducing new tax reliefs in addition to those already available to businesses donating money and equipment to education and research institutions."

2. Delete existing paragraph 46: insert a new paragraph 46 as follows:-

"The creation of closer links between the business community and higher education institutions is, however, an objective to which the Government attaches high priority. Such links can be both to the mutual benefit of the respective partners and to the wider benefit of the economy and they can be stimulated by a variety of means - not all of which directly involve government. The role of the taxation system in this regard is not, however, underestimated. The Government is accordingly anxious to ensure that the scope of tax relief is fully appreciated by those concerned. It is therefore examining the information currently made available on such relief with the intention of ensuring that potential donors in industry and commerce can readily obtain clear and comprehensive information."



Education: Expenditure PTC