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Prime Minister

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The Chancellor wants authority to publish the attached draft green paper in October or November. No

Treasury Chambers, Parliament Street, SW1P 3AG <sup>immediate decision</sup>  
01-233 3000 is needed, and

PRIME MINISTER

*Agree to publication subject to colleagues views to put to Chancellor after the holiday. Alternatively, you could approve, subject to other colleagues views?*

GREEN PAPER ON TAXATION OF HUSBAND AND WIFE

In my Budget Speech I announced our intention to publish later this year a Green Paper dealing with the treatment for tax purposes of husband and wife.

*DL  
etc*

*attached to file in folder*

2. Attached to this minute is a draft of the Green Paper and also a short summary of its contents. I suggest that you need not look beyond the summary and, if time possibly permits, the opening and closing chapters of the draft: they give a pretty clear picture of what the Green Paper is about. If you did have time to read more, I think you will find that the Green Paper does deal in what I trust is a constructive way with an important issue which affects the majority of the population and has provoked a good deal of comment and criticism.

3. The Green Paper deals mainly with income tax as it applies to married couples (and does not, for example, touch on child benefit, for the reason given in the first paragraph of the Summary); but you will see that, in recognition of proposals put forward by bodies such as the Equal Opportunities Commission, it also deals with the possibility of social security provision as an alternative, in particular, to meet the case of the

/married couple where one

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married couple where one partner is financially dependent on the other. Patrick Jenkin has seen the draft and agrees with the line which it takes, namely, that a tax allowance is to be preferred for this purpose to a cash benefit.

*Agreed*

4. The purpose of this minute is to seek your agreement, first, to the publication of a Green Paper on these lines before the end of this year (probably in October or November), and secondly, to the broad coverage of the Green Paper and the presentation of the issues which it examines. I am also copying this minute to other members of E Committee, although I recognise that only a minority will have a departmental, as distinct from personal, interest in the subject. I suggest that there is no need for a meeting of the Committee to discuss the Green Paper, unless you or others should wish it; but I should welcome comments, which we can then pursue as necessary in correspondence.

5. With regard to the substance of the Green Paper and the likely course of events following its publication, I should draw the following points to your attention:-

(i) General line of the Green Paper

The greater part of the Green Paper is devoted to consideration of the case for treating husband and wife as individual units for tax purposes, instead of treating the wife's income as her husband's. Independent taxation is what most of the pressure groups favour; but it has its drawbacks in terms of the shifts in the relative burdens of taxation between different

/groups, the revenue





groups, the revenue cost of ensuring that at the time of change working couples (who would inevitably be relatively disadvantaged by independent taxation) would not be absolutely worse off, and the manpower costs of a system under which, with independent taxation, a transferable tax allowance would be provided to meet the case of the married couple where one partner is financially dependent on the other. (The first two of these aspects are dealt with in Appendix 6 and Chapters 6 and 8 - where the revenue cost in current terms is estimated to range between £2½ and 3½b. - and the third immediately below.) The case for change and its drawbacks need to be exposed fully for public debate through a Green Paper.

(ii) Manpower

Chapter 10 of the draft deals in broad terms with the administrative implications; but the effect on the workload is not quantified, since staff figures could only be speculative, especially for changes which could not take place until the end of the decade, and there is always a risk that such figures in a Green Paper would be taken as indicating a prospective net increase of this amount in total Inland Revenue manpower without allowing for the possibility of achieving offsetting savings. But, to give you some idea of the work involved, the continuing staff requirement in the Revenue which would result from a change to independent taxation, with a transferable tax allowance where



one partner is financially dependent on the other, could at worst amount to something of the order of 5,000 units.

(iii) Implementation of changes discussed in the Green Paper

Mandatory independent taxation could not be carried out until PAYE is fully computerised, that is, about the end of this decade. But an extension of the existing options for independent taxation, along the lines examined in Chapter 4, could be brought into effect earlier than that. Subject to the revenue cost (of allowing a couple to claim that the wife's investment income - as well as her earnings - should be separately taxed, estimated at some £m300) and the manpower costs (which, depending on the numbers electing, could amount to some 500 staff) "optional independent taxation", as the Green Paper calls it, could be legislated for within the next two years. The timetable for such legislation will, of course, depend on the handling of the Green Paper, eg by the Select Committee on the Treasury and Civil Service, who will almost certainly wish to examine it (or set up a sub-committee to do so). If their work is completed by the Summer of 1981, legislation could be contemplated in 1982, to take effect from 1983/84.

6. Conclusion

I should be glad to have your agreement and that of other members of E Committee -

- (i) to the issue of a Green Paper on the Taxation





of Husband and Wife later this year; and

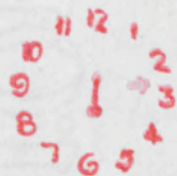
(ii) to its coverage and presentation along the lines of the attached draft.

7. I am sending copies of this minute to other members of E Committee, the Secretary of State for Social Services, Sir Robert Armstrong and Mr Ibbs.

G.H.

8 August 1980

8 AUG 1980



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Econ Pst



Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

18 August 1980

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

Dear Geoffrey,

GREEN PAPER ON TAXATION OF HUSBAND AND WIFE

I have seen your minute of 8 August to the Prime Minister, and the reply of 11 August from her Private Secretary.

I agree both with the thrust of the Green Paper and with your desire to publish it. But I think more should be said in general terms about the drawbacks in terms of manpower costs.

There can plainly be no question of spelling out the precise staff costs of the various options, if only because they must depend to some extent on choices made by individual taxpayers. On the other hand the public debate should take place with some indication of the extra manpower involved in each of the options which you have given in your minute, again if only to make people aware that Government is aware of the importance of this in the present climate. From the Green Paper itself it is impossible to know that mandatory independent taxation would involve a staff cost ten times that of extending existing options; and amounting to some 5,000 civil servants. Given our policy of reducing the size of the Civil Service, this is clearly a relevant and important consideration.

Our officials are already in touch about the wording and I think it would be helpful to see a revised draft before deciding whether the issue should be discussed at E Committee.

The basic manpower question we shall have to answer when we reach a decision is this. We are committed to a Civil Service no more than 630,000 strong by 1 April 1984; and we must surely plan to maintain this figure, if not to reduce it still further in later years, when the bulk of the 5,000 will be needed. Is it clear that if we are to add 5,000, the maximum advantage is gained by devoting them to this purpose? Or, if you prefer, will colleagues be ready



to get down to 625,000 to make room for these particular proposals?

I am copying this to the Prime Minister, other members of E Committee, the Secretary of State for Social Services, Sir Robert Armstrong and Mr Ibbs.

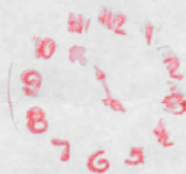
Yours ever

Christoph

SOAMES



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*E cam Pat.**✓ MS*

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Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
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LONDON SW1P 3AG

18 August 1980

## GREEN PAPER ON TAXATION OF HUSBAND AND WIFE

Your minute of 8 August to the Prime Minister invited the agreement of members of E Committee to the issue of a Green Paper on the Taxation of Husband and Wife later this year in the form of the draft which you enclosed.

My Department will of course be studying the draft from the point of view of the likely effect on women at work of the different taxation options which it identifies and my officials will no doubt be in touch with yours about points of detail; but in general I am content that the Green Paper should be published along the lines you propose.

I am sending copies of this letter to the recipients of yours.



18 AUG 1980





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RH

cc:- E Cttee  
HO MAFF  
FCO Trade  
C.Exch Energy  
Ind Chief Sec  
L.Pres  
Emp

11 August, 1980

Green Paper on Taxation of Husband  
and Wife

The Prime Minister has seen the Chancellor's minute of 8 August.

Subject to the view of colleagues, she is content with the proposals in paragraph 4 of that minute. She agrees that there is no need for a meeting to discuss the draft, subject once again to the agreement of colleagues.

I am sending copies of this letter to the Private Secretaries of E Committee, Don Brereton (DHSS), David Wright (Cabinet Office) and Gerry Spence (CPRS).

**N. J. SANDERS**

A J Wiggins, Esq  
HM Treasury

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