



PRIME MINISTER

FORTHCOMING ANNOUNCEMENTS

We have discussed the timing of various announcements due shortly, viz the Industry Act Forecast, outline Public Expenditure plans for the year immediately ahead, and National Insurance Contribution (and where appropriate Surcharge) rates to take effect for next year. This year, following our reply to the Treasury and Civil Service Committee on Budgetary Reform, these announcements are to be brought together within a single "Autumn Statement".

2. Assuming all the necessary decisions are taken before or at Cabinet on 2 November, the earliest time for full publication is Monday 8 November. This is not just because of the work involved in getting the Autumn Statement into proper form, but more importantly because it would clearly be inappropriate to publish this material on 3 November - the day Parliament Opens - nor would it be right to do so on the 4 or 5 November, when you and I will both be abroad. That is not to say that you could not, if you so wish, refer in your Speech on 3 November to the position on public expenditure: indeed I would welcome this.

3. Looking at it from the other end, 8 November is also the latest publication date, for two reasons. First, I have consulted the Secretary of State for Energy, who believes it essential, on merchant bank advice, to be in a position to float Britoil in that week. This would mean pricing no later than 9 November. But we would have to allow the markets at least 24 hours, before the pricing, to assess the Autumn Statement. Secondly, publication of the Autumn Statement should precede the "economic" day in the Queen's Speech debate. This too points to 8 November, and suggests that in contacts through the usual channels we should try to ensure that the Opposition choose 9 November for the economic day.



4. I have consulted the Secretary of State for Social Services about any NHS dispute factor affecting timing: he is content with 8 November.

5. I propose, therefore, that we should go firm on publication on 8 November. I have also spoken to the Lord President and the Chief Whip about whether I need make an accompanying oral statement: the consensus is that I should, though I would make it clear that the substantive debate would follow on the economic day of the Queen's Speech debate.

6. In sum, the proposed timetable, on which I would welcome your reactions, is 8 November for publication of the Autumn Statement, 9 November for pricing the Britoil sale, and, if it can be so arranged, for the economic debate, and 10 November for announcing Britoil.

7. Copies of this minute go to the Lord President, the Secretaries of State for Energy and Social Services, the Chief Whip and Sir Robert Armstrong.

(G.H.)

27 October 1982



2

PRIME MINISTER

NIC AND NIS

Following our discussion of possible changes in NIC and NIS rates in 1983-84, and in NIS rates in the current year, I have talked to Patrick Jenkin and Norman Fowler.

National Insurance Contributions

2. On NIC Norman Fowler and I now propose that the full Class 1 rates should be increased by 0.25% each for employees and employers to 9.0% and 10.45% respectively. The lower earnings limit will rise to £32.50 in line with the single rate retirement pension, and we propose that the upper earnings limit should be raised to £235, some way below the statutory maximum of £245.

3. These increases fall short of what would be required to balance the National Insurance Fund; for this, the Government Actuary estimates that increases of 0.45% each for employers and employees would be required. In my judgement, it would be wrong at this time to add significant extra burdens to industry, which in any case will pay higher contributions than in 1982-83 as a result of the increase in earnings; and I would not wish to repeat our action of the last two years in loading the full increase necessary to balance the Fund on to employees. I would also wish to avoid primary legislation for NICs; the increases we propose are the maximum that can be made by Order.

National Insurance Surcharge

4. In my last Budget I reduced the NIS from 3½% to 2½% to take effect from August 1982, and to give the full year benefit of the 1% reduction, I temporarily reduced the rate to 2% between August and April 1983. For 1983-84 I now propose to consolidate the ½% temporary reduction and to make a further reduction of ½%, so bringing the rate down to 1½% from April 1983. The net cost of this 1% reduction, and the benefit to private sector business and industry, will be about £700 million. The benefit to the public sector will be offset by reductions in programmes.



5. In addition I propose to give further help to private sector employers by bringing forward into 1982-83 the April reduction of ½% over and above consolidation. This will be worth about £350 million in total to those private sector employers paying NIS. Consistent with the arrangements when the rate was reduced from 3½%, and with what I propose for 1983-84, the public sector will not benefit from this change.

6. Officials are still working on the details of the scheme but it will operate broadly as follows. Individual employers' NIS payments cannot be separately identified, and it is too late in the year to issue revised NIC/NIS tables. To deal with this problem, we propose that in December and January employers would be issued with instructions asking them to deduct from their payments due in February 3% of the total payments they have made in 1982-83 of employers' NIS and NIC and employees' NIC. They will make similar deductions of 3% from those payments due in March and April. By this route private sector employers should pay around £350 million less in 1982-83 and that is broadly equivalent to a ½% reduction in their NIS payments. There will be no question of encroaching on NIC contributions. The scheme will ensure that NIC payments, records and procedures are left intact.

7. Because these arrangements are inevitably different from the normal arrangements for NIS collection they may attract some complaints. For example, employers with contracted-out pension schemes, and/or employing pensioners and married women who have opted out of paying full rate NICs, may point out that - because they pay less NIC - they will not do as well relatively as other employers. Against that all firms paying NIS will benefit from the scheme and it is impracticable to base calculations on NIS payments alone or to add to the administrative costs and complications by introducing different percentages for different circumstances. Spokesmen for the self-employed and for charities



too may complain at not being allowed to make deductions. But the answer to them would be simple. As they do not pay NIS they cannot expect to benefit from a scheme intended to reduce NIS payments.

8. We might of course also be asked why, rather than reduce costs by £350 million in the last two months of 1982-83, it is not better to wait until 1983-84 and then, under the standard arrangements, reduce NIS to 1 rather than 1½%. Our answer would be that, while we wish to reduce NIS still further, it would be premature for me to go as far now as to make a permanent reduction to 1% from the Spring. Moreover, £350 million to the private sector by March 1983 is clearly more helpful to them than the same sum spread out evenly over 1983-84.

9. Overall I am satisfied that we have good answers to the inevitable questions, and I am in no doubt at all that the injection of £350 million into private sector business and industry in this financial year will be widely welcomed.

10. Patrick Jenkin is content with these proposals.

Announcement

11. As you know, I propose that these changes should be announced on 8 November.

Legislation

12. Under these arrangements we avoid the need for an NIC Bill similar to last year's. But we still have to have a short NIS Bill (which will be the responsibility of Treasury Ministers).

13. Subject to confirmation by Parliamentary Counsel, I am advised that this will be a Money Bill. To give cover for the preparation of instructions to employers in December on the 1982-83 arrangements it would be desirable for the Bill to have made substantial progress by mid-December.

SECRET



14. I realise that this will add to the burdens of managing the legislative programme but I hope that, given the attractions of the proposals, which I am sure will be widely welcomed both by our own supporters and by industry, the business managers will be able to find the necessary time, and that John Biffen will agree to the employment of Parliamentary Counsel on the drafting of the Bill. I shall pursue this separately with him and the Chief Whip.

15. I am sending copies of this minute to Patrick Jenkin, Norman Fowler, John Biffen, Michael Jopling, and Sir Robert Armstrong.

G.H.

(G. H)

27 October 1982



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Pd

10 DOWNING STREET

Prime Minister

0900 : 28/10/82

The Chancellor wishes to

discuss

(1) NIC/NIS

(2) forthcoming announcements.

MUS 27/10

Autumn Statement

What the Treasury are intending to publish on 8 November will certainly be described as an Autumn Statement. It will consist of:-

1. The Industry Act forecast
2. Information about public expenditure plans
3. Ready-reckoners showing the revenue effects of illustrative changes in major taxes
4. The NIS and NIC decisions
5. The Government Actuary's Report

They are planning to produce a single book with all this information in it.

There is no way round this. The Government's reply to the TCSC in July commits the Government to no less than this. When you agreed to the Government's reply you did so in the knowledge that it would cement us into having what would be described as an Autumn "mini-budget", for all that we shall strenuously say that it is not a mini-budget.

MCS

25 October 1982