



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

### **NATIONAL INSURANCE SURCHARGE**

We have agreed that I should announce on 8 November a reduction in the NIS from next April and also my proposals for further reductions in payments by private sector employers in 1982-83. This minute summarises these changes. I have already spoken to Patrick Jenkin and Norman Fowler and they are both content.

2. In my last Budget I reduced the NIS from 3½ per cent to 2½ per cent to take effect from August 1982, and to give the full year benefit of the 1 per cent reduction, I temporarily reduced the rate to 2 per cent between August and April 1983.

#### **1983-84**

3. For 1983-84 I now propose to consolidate the ½ per cent temporary reduction and to make a further reduction of ½ per cent, so bringing the rate down to 1½ per cent from April 1983. The net cost of this 1 per cent reduction, and the benefit to private sector business and industry, will be about £700 million in the first year.

4. It is not my intention that the public sector should benefit and, as last time, I propose that the reduction of about £400 million in the NIS liabilities of public sector employers should be cancelled out. In the case of the local authorities this will be done by amending the present proposals for the 1983-84 RSG; Michael Heseltine, George Younger and Nicholas Edwards are in the picture. In the case of cash limits and the external financing limits of the nationalised industries, my officials will be in touch with departments about the necessary measures.





### 1982-83

5. In addition I propose to give further help to private sector employers by bringing forward into 1982-83 the April reduction of  $\frac{1}{2}$  per cent over and above consolidation. This will be worth about a further £350 million in total to those private sector employers paying NIS.

6. Consistent with the arrangements when the rate was reduced from  $3\frac{1}{2}$  per cent, and with what I propose for 1983-84, public sector employers will not benefit from this change. The arrangements for them will be as earlier this year when the rate was reduced: the legislation will provide for local authorities and certain similar bodies not to make the special deduction; for the rest, cash limits and EFLs will have to be amended and the Treasury will be in touch with departments.

7. The 1982-83 scheme 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, qualifying employers will be issued in January with instructions asking them to deduct from their payments due in February 3 per cent 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 per cent 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  $\frac{1}{2}$  per cent 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.

8. We might 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  $1\frac{1}{2}$  per cent. Our answer would be that, while we might 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 per cent 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.



Legislation

9. A short and urgent Bill will be necessary to give effect to these changes. I am discussing the arrangements for this separately with the Business Managers.

10. I am sending copies of this minute to all members of Cabinet, to the Chief Whip, and to Sir Robert Armstrong.

(G.H.)  
5 November 1982

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