



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

TAXATION OF HUSBAND AND WIFE

I have been thinking further about this issue, following our talk at Chequers.

2. It will not of course be possible to issue a Green Paper until after the Election, but I think we need to be clear as to the best way forward not least because we shall be asked during the campaign what our intentions are. As I see it, there are really three main points.
3. First, our first Green Paper on this subject was published in 1980. For better or worse, all the main representative bodies have responded to it, as have the other political parties. Sooner or later we have to give our response.
4. Second, we are all agreed that, if there is to be any question of changing the present system, the only possibly acceptable alternative would be something on the lines of ITTA. This would be a major change in the present tax system, from which most people would benefit, but from which some 5 million married men would be worse off in relative terms - though, as previously explained, transitional arrangements could prevent them being actually worse off in cash terms. There would also be administrative costs. Before a Conservative Government committed itself to a change of this kind, we should need to be sure that not only the representative bodies, but also ordinary people in the country at large, understood the reason for it, and were indeed keen that we should bring it in. These conditions do not yet exist.
5. Third, the fact remains that the Green Paper itself acknowledged that in a number of important respects the tax treatment of husband and wife in this country is not really logical, or fair, or paralleled in any other western country. The response has shown that, for better or worse, this is the virtually unanimous view of the representative bodies - including representatives of our own Party and of professional and other working women. (The Party's Advisory Committee

of no
Prime Minister (1)

Agree to

*the proposal in
para 7 at X?*

Yes not

MUS 11/5



on Policy (which I am due to see today) has expressed the hope that the manifesto will deal with the subject.) This means that in deciding on our attitude, we have to recognise that, for those who responded to the Green Paper, the question was not whether it is right to change the system, but how to change it: in favour of MIT/cash benefits - which we all agree is quite unacceptable - or in favour of ITTA, which we see (although many others do not) as a more open question.

6. This leads me to the following conclusions. We need to be ready to respond to the representations we have received on the Green Paper. We need to demonstrate why MIT/cash benefits is wrong, and to persuade its genuinely open minded supporters (people like Sam Brittan) why that is so. To keep their support, and the support of the others of our natural supporters who responded to the Green paper, we need to explain the implications of ITTA, both its advantages and its disadvantages, much more fully and clearly than has been done yet. For this purpose, the presentation of the case should be absolutely fair and impartial, either for maintaining the present system, or for changing to ITTA.

7. In the light of all this, I believe that the line we should take during the Election campaign is that there will need to be a further consultative document. The Government is neither committed to change, nor shutting the door in the face of change. We have, however, recognised that this is a subject of understandable public interest. That is why we published the original Green Paper. The next Conservative Government will, along the same lines, seek to establish whether or not there is the kind of genuine and widespread public support that would justify the introduction of ITTA when computerisation of the personal tax system makes that possible.

8. I believe that unless we go as far as this our position is in danger of being misrepresented as unsympathetic to those who are genuinely concerned about this topic. But this, I think, is as far as we need go at this stage.

9. I am sending copies of this minute to Norman Fowler, Patrick Jenkin, Janet Young, Ferdinand Mount and John Sparrow.

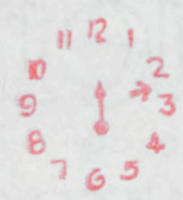
(G.H.)

11 May 1983

Rec'd March 80,
Econ Taxation '88
Husband & Wife,



71 MAR 1983



CONFIDENTIAL FILE

H2



bc Mr. Mount

10 DOWNING STREET

From the Private Secretary

12 May 1983

Dear John,

Taxation of husband and wife

The Prime Minister agrees to the line on taxation of husband and wife set out in paragraph 7 of the Chancellor's minute of 11 May.

I am sending copies of this letter to Steve Godber (Department of Health and Social Security), Jonathan Spencer (Department of Industry), Mary Brown (Lord Privy Seal's Office), and John Sparrow.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.

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