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Prime Minister

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

Agree to X?

MS 27/7

PRIME MINISTER

Yes - but I am very much against the proposed change

TAXATION OF HUSBAND AND WIFE

You will recall that before the Election you agreed that during the campaign our line on the taxation of husband and wife should be as proposed in Geoffrey Howe's minute of 11 May. This was, in brief, to recognise that the question is a subject of understandable public interest; that it was in response to that interest that we published the original Green Paper in December 1980; and that in the new Parliament we would, through further consultation, seek to establish whether or not there was sufficient support to justify a move to Independent Taxation with Transferable Allowances (ITTA) when that became possible. The Manifesto gave no undertakings, and the topic did not in fact attract much comment during the campaign - though there have been references since, both in the House and in the media.

2. I have now been thinking further about this issue.

3. For exactly the same reasons that led to Geoffrey's proposals and your agreement to them, I am sure that the Government must make some response to the representations it has received on the 1980 Green Paper. Given that each option has some pretty unattractive features, I agree also that the next step should be a further consultative document. This would reject the cash benefit solution and narrow the options to either retaining the status quo or introducing ITTA. The two options would be presented in an absolutely open and impartial way, bringing out the disadvantages of a change to ITTA as well as the advantages. This would leave open the possibility of introducing it, if it attracted widespread support, but would also enable us to reject radical reform, and look for much more modest changes.

4. If you agree that this remains the best course, I will set in hand the drafting of a consultative document. The aim might be to publish around the end of the year. I would of course want to look at a draft, and discuss it with you and other colleagues, before making any public announcement.

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5. I am sending copies of this minute to Norman Fowler, Cecil Parkinson, Patrick Jenkin, and Arthur Cockfield.

N.L.

(N.L.)

26 July 1983

ECON POL: Taxation of husband
and wife: March 1980

JUL 1983



COMPUTER

CONFIDENTIAL



Full
b.c. M. Owen

10 DOWNING STREET

From the Private Secretary

1 August 1983

TAXATION OF HUSBAND AND WIFE

The Prime Minister has seen the Chancellor's minute of 26 July about the taxation of husband and wife as well as that of the Chancellor of the Duchy of Lancaster of 29 July. Mrs. Thatcher agrees with the Chancellor that the next step should be a further consultative document which would reject the cash benefit solution. She considers, however, that in addition to the options set out in the Chancellor's minute, that proposed by Lord Cockfield should also be added to the consultative document. She hopes that each option will be put in reasonable and unperjorative terms and that the disadvantages of all courses of action are made equally clear. Mrs. Thatcher has commented that she herself is very much against a change to Independent Taxation with Transferable Allowances (ITTA).

I am sending a copy of this to Steve Godber (DHSS), Jonathan Spencer (Department of Trade and Industry), John Ballard (Department of the Environment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office) and Richard Hatfield (Cabinet Office).

TIMOTHY FLESHER

John Kerr, Esq.,
HM Treasury.

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CONFIDENTIAL



Prime Minister

①

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PRIME MINISTER

TAXATION OF HUSBAND AND WIFE

In view of this I have not passed on to the Chancellor your reluctant agreement to a two option consultative document (i.e. ① status quo ② ITTA). Should

we ask him to consider a three option

The transferable allowance scheme faces immense problems both of cost and of manpower. Experience in the United States suggests that the kind of equality it sets out to achieve is fragile and unlikely to last.

document, including

this one?

A much, much simpler, and cheaper solution is simply to leave the present system as it stands but allow people freedom of choice whether to be taxed jointly or singly. The freedom to choose is integral to our political philosophy. But the Inland Revenue do not like it because people change their minds. It is true that it attracted little support when the Green Paper was published. But it was presented in such an unattractive, if not pejorative, fashion that this is not surprising. It is also attacked on the ground that it benefits only wives with investment income. But this is the counterpart of the fact that the corresponding change for earned income was made in the 1970s. Nor as a party do we suffer from this prejudice about investment income. In any event, I would have thought it better to benefit a million or so people whose wives have investment income than to prejudice 5 million people who simply have wives - which is what ITTA does.

MLs

29/7

I would hope that, if a further consultative document is published, it could at least offer this option.

I am copying this minute to Nigel Lawson, Norman Fowler, Cecil Parkinson and Patrick Jenkin.

Yes - the 3 option -

A.C.

but put the third in reasonably

A C

29 July 1983

leaders. And note

the disadvantages of all courses of action equally clear.

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10 DOWNING STREET

From the Private Secretary

29 July 1983

Not sent in view of CDL's minute

of 29/7

Taxation of Husband and Wife

The Chancellor minuted the Prime Minister on 26 July about the taxation of husband and wife.

The Prime Minister agrees with the Chancellor that the next step should be a further consultative document, which would reject the cash benefit solution, and narrow the options to retaining the status quo or to introducing Independent Taxation with Transferable Allowances (ITTA). The Prime Minister has minuted that she is herself very much against a change to ITTA. But she is prepared to agree to these options being presented in an open and impartial way, bringing out the disadvantages of a change to ITTA as well as the advantages.

I am sending copies of this letter to Steve Godber (DHSS), Jonathan Spencer (Department of Trade & Industry), John Ballard (Department of the Environment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office) and Richard Hatfield (Cabinet Office).

John Kerr, Esq.,
HM Treasury.

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