29 November 1982
Policy Unit

PRIME MINISTER

BRIEF FOR FAMILY POLICY GROUP
5pm TUESDAY, 30 NOVEMBER 1982

I. TAXATION OF HUSBAND AND WIFE

The Chancellor's memorandum explores the historical background. His officials' note outlines the present system and summarises the options for change.

If the Group wants to go ahead with reform, then the Chancellor's preferred option - Independent Taxation with Transferable Allowances (ITTA) - is clearly the only sensible alternative to the status quo. Clearly too, the allowances should be partially transferable. If they were fully transferable, that would err too much in the opposite direction and be unfair to the couple where both husband and wife are earning. The Group will want to consider:

(a) whether it is worth changing at all; and

(b) the risks and drawbacks of change.

(a) Is it worth changing?

The economic and social grounds for change are strong. The present system is bizarre, unfair and illogical. Page 1 of the officials' note shows how it favours the working wife over both the working unmarried woman and the non-working wife.

Combined with the present high taxation on lower incomes, it puts strong pressure on young mothers to go out to work; it is thus an anti-family system for poorer families, because they cannot afford to employ child-minders or au pairs.

At the margin, it must also add to the numbers of women seeking jobs (sometimes reluctantly) at a time when we would prefer, if anything, to shrink the labour market. It is a system designed for the war years when the munitions factories were short-handed, not for 1982. Not for nothing was Britain probably the most highly mobilised nation fighting in World War Two.

No doubt the high participation of working wives in the labour force in Britain - as opposed to, say, in Mediterranean countries - is partly due to national tradition and personal preference. But the bias of the tax system is much more marked here than anywhere else.

To introduce a system which would be genuinely neutral as between working and non-working wives would be both equitable and timely. It would offer working-class wives more choice between full-time work, part-time work and staying at home. It would also be possible, at no Exchequer cost, to make some impact upon the numbers seeking work as recorded on the employment register - which, as we have seen, is highly sensitive to people's perceptions of whether it is worthwhile registering (in the light of the economic situation, the wages likely to be available and the tax system).

(b) The risks and drawbacks of change

The Chancellor's paper (page 8) lists the following disadvantages:

- The change would reduce the present incentive for wives to go out to work. But we might not object to that, so long as the change does not penalise the working wife as against other categories, and it does not.

- It would, in consequence, reduce the tax threshold for 5 million married men. There would need to be transitional cushioning. The potential loss to the two-income family is the greatest political problem. It could be minimised by enveloping the transition in a Budget which reduced income tax overall, thus making most of the disadvantage relative not absolute. A gradual increase in VAT rates, coupled with a parallel rise in income tax thresholds, is in any case the best way to phase out the poverty trap.

- Transferability would be complex and demand extra staff (5-6,000). Some of this cost would be merely transitional if the Inland Revenue showed ingenuity.

- Up to 12 million wives would have to take over from their husbands responsibility for their own tax affairs. But if a joint declaration form could be evolved, this might be both less costly and less unpopular than we may now imagine. After all, one of the criticisms of the present system is that it treats wives as appendages. Is this appropriate to the age of the joint bank account?

- There would be certain consequential problems, eg on Capital Transfer Tax. But these seem minor and capable of resolution. After all, other countries manage ITTA-type systems easily enough.

The next steps

The timetable laid out in the Chancellor's memo (paragraph 28) suggests a White Paper with Green edges after the 1983 Budget.

If the Group agrees to this, we might suggest that, provided the White Paper is well received, we should include in the Manifesto a general commitment to the introduction of ITTA in the next Parliament.

II. PROGRAMME OF WORK

You are invited to approve the programme outlined in the CPRS paper. Some of the work is already under way. Colleagues are preparing papers on the key topics which I have asterisked. I have also picked out some other important topics which urgently need attention.

It is important that you should endorse, with some emphasis, those pieces of work which you do want followed up in a positive spirit. Otherwise, departments will lapse back into the defensive apathy from which we have just begun to rouse them.

A. Personal Taxation and Benefits

The taxation of husband and wife is only one half of the low-income family's tax problem.

The Treasury has already submitted a note on the unemployment trap and the poverty trap. We might invite the DHSS to submit a full-scale paper when they have completed their follow-up work on the unemployment reports.

B. The Elderly

* Norman Fowler's paper on the general situation of the elderly is likely to be ready in time for the next meeting.

* The Department of the Environment is also ready to offer a paper on housing for the elderly.

C. Encouraging Self-Reliance

I think we need to commission a paper from the Treasury on all the methods of encouraging personal wealth-creation: profit-sharing, personal investment in equities, personal pension funds and so on. There is considerable opposition to this both from the Treasury itself which is worried about loopholes, and the City which would rather deal with large funds. But we must press on if we are serious about a capital-owning democracy.

D. Children and Schools

i. Wider parental choice is already being discussed separately.

* ii. Keith Joseph has already circulated a paper on Preparation for Parenthood which could be discussed at the next meeting.

iii. We might also welcome a paper from Keith on Maintaining Discipline and Authority - particularly on the crucial question of the headmaster's power to hire and fire teachers.

E. Voluntary Action

* (a) and (b) Tim Raison is discussing with other departments what changes in the tax system might encourage greater generosity among individuals.

* (c) The DoE will be putting in a Business-in-the-Community paper on how public and private initiatives can be married to encourage local enterprise and involvement.

* (d) The DoE is working up a paper which will cover not only the use of school and other local authority facilities out of school hours, but also the use of facilities owned by the nationalised industries and the private sector.

F. Housing

The DoE intends to offer two papers:

* i. Furthering the sale of council houses.

* ii. Recent developments in the management of council estates.

G. The Face of Government

The CPRS proposes to work on this in collaboration with the MPO and a number of departments which serve the public directly. If you are content that they should go ahead, you might emphasise that they should set out to produce specific recommendations for action.

H. Professionals and the Individual

Again, specific recommendations for action would be welcome. I think it is important that the CPRS should bear in mind the sensitivities of the professions involved - whether they be architects or probation officers - and should be certain of its ground before making recommendations.

J. Reducing Crime

* The Home Office is circulating a paper which summarises recent research into the causes and cures of crime. The main conclusion is negative - that the criminal justice system by itself is unlikely to reduce crime much - but it does contain some useful practical suggestions on crime prevention which might be worth discussing: vandal-proof design, more caretakers, better architects etc.

K. Racial Equality

We have nothing to offer here at the moment. The Group might like to discuss what initiative the Government could take which would stop us being pressed back onto the defensive and being carried down the road to ethnic monitoring and positive discrimination which may inflame as much resentment as it soothes. Would you like me to do a paper?

III. NEXT MEETING

It would be helpful to maintain the momentum which we have just established, if the Group could meet again fairly soon - say, in mid-January, and thereafter at monthly intervals.

FM

FERDINAND MOUNT

PRIME MINISTER

c. Mr. Scholar

FAMILY POLICY GROUP

The Group is to meet on Tuesday 30 November at 1700 hours. You agreed that at that meeting we should discuss first the programme of work proposed by the CPRS and second the Chancellor's paper on taxation of husband and wife. You may like to glance through the latter, a copy of which is attached.

J.C.

26 November 1982

FPG(82)3

TAXATION OF HUSBAND AND WIFE

Memorandum by the Chancellor of the Exchequer

1. This note considers the case for reforming the present treatment of husband and wife for income tax - which in essence dates from the time when income tax was first introduced in the early days of the 19th century.

2. Our own supporters have been among the foremost pressing for reform. After wide consultation and after debate at the Annual Women's Conference, our (then) Women's National Advisory Committee published in 1979 a report by a Committee under Miss Shelagh Roberts: "Women and Tax". This spoke of "great resentment building up" and argued for change

> "to enable women to be treated as independently as they wish to be treated, but, at the same time to encourage and support the family".

3. In December 1980 we published a Green Paper on the Taxation of Husband and Wife (Cmnd 8093). Virtually everyone who has responded to the Green Paper argues that the present system needs to be changed. Those who seek radical reform include our own Conservative Women's National Committee and the professional organisations (such as the Law Society and the Chartered Accountants), as well as a very wide range of social and political commentators.

4. The attached note by officials outlines the tax treatment of husbands and wives as it has developed to date, summarises the criticisms of it, and explains the options for change.

CRITICISMS OF THE PRESENT SYSTEM

5. The basic criticism is that the present tax system reflects a 19th century world, in which the vast majority of married women were legally and financially dependent on their husbands. Today, over 7 million married women contribute to the family income and the vast majority of women go out to work at some point in their married lives. Many of these are, or should be, our natural supporters. But almost as many of them find the present tax concepts anomalous, and sometimes offensive.

6. There are other criticisms. In particular, the present system:

- gives more than the sum of two single persons' tax allowances to the married couple, if both husband and wife are earning. This is an anomaly dating from 1939-45, specifically introduced to encourage women into war work

- by contrast, imposes a tax penalty on marriage in other respects (mainly in the case of investment income).

7. Finally, there is a body of "advanced" option which argues that it is wrong for the tax system to give any recognition to marriage, and in particular to give the married man a bigger tax allowance than the married woman, or the single man or woman.

OBJECTIVES OF REFORM

8. The broad criteria against which to measure options for change of the tax system are those rightly identified by the WNAC in 1979: independent treatment of women and - crucially - support for the family. It may help to set out the objectives in more detail. In my view they are:

(a) to treat men and women ~~as equal~~ for tax purposes with an even hand and respond to the reasonable demand for independence and privacy in the tax affairs of partners in a marriage;

(b) to support the family and avoid a tax penalty on marriage;

(c) for this purpose to strike an equitable balance in the tax system

- between the single man or woman and the married couple and

- between those married couples where both husband and wife go out to work, and those where one (usually the wife) stays at home.

In particular, to continue to take direct account in the tax system of the fact that a married couple, when the wife does not go out to work, has a lower taxable capacity than a single person with the same total income.

(d) to remove the present tax bias in favour of the married couple where both husband and wife go out to work, as compared with two single people both working, so that a wife's freedom of choice is not distorted by consideration of tax.

(e) to minimise cost and administrative complexity, for Government and the public;

(f) to improve - or at least avoid worsening - work incentives and encourage wage moderation (bearing in mind the implications for the poverty and unemployment traps.)

(g) more generally - to produce a system which ordinary people can understand, and find attractive, as matching the way in which married couples now organise their financial affairs.

9. The relative weight to be attached to these objectives is a matter of judgement. But they provide a series of benchmarks for judging the relative merits of the options for change set out below and - in more detail - in the attached paper by officials.

A LIMITED REFORM

10. As the note by officials explains, successive Governments have so far responded to pressures for reform by ad hoc change. At one time, I saw attraction in a further limited reform - introducing a "right to choose independent taxation" for married women, which would still leave the present basic structure intact. We floated a scheme of this sort in the 1980 Green Paper. The response has made me doubt whether it is the right way forward. It would be widely interpreted as failing to deal with the real problem, and bringing substantial benefit only to wealthy people with investment income. At best, it would get no more than a lukewarm reception from our supporters. And, in practice, I fear that taxpayers would find it complex and difficult to understand.

OPTIONS FOR THOROUGH-GOING REFORM

11. I think it follows that, if we decide to respond positively to the present pressures, we need to consider a more thorough-going reform, reaching to the root of the problem.

12. The response to the Green Paper has identified two main options:

(i) Mandatory independent taxation with cash benefits (MIT)

Under this a husband and wife would be taxed as separate individuals; the present married man's allowance would be abolished and "replaced" by cash benefits for those with children and other dependants.

(ii) Independent taxation with transferable allowance (ITTA)

Under this a husband and wife would again be taxed as separate individuals but if one of the two had too little income to use up their allowance, part or all of the balance could be transferred to the other.

13. Each system has powerful advocates.

14. At present, the pace is being set by advocates of MIT with cash benefits. This is now the official policy of the Labour Party and the SDP. Its supporters include (at one extreme) the Child Poverty Action Group and the National Council for Civil Liberties and (at the other extreme) Mr Sam Brittan in a recent article in the Financial Times.

15. I am convinced that this is the wrong approach. It would take a further large tranche of income from taxpayers, and pay it out as social benefits. By contrast with ITTA (see paragraph 22)

it would reduce the tax threshold for every married man with unwelcome effects on take-home pay and wage claims. It would be difficult to devise a satisfactory benefit alternative which did not either add significantly to public expenditure or result in an unacceptable number of losers or further complication of the social security system.

16. MIT would also involve the State in the highly objectionable business of discriminating between "deserving" and "Undeserving" or "idle" wives. It would be logically inconsistent with maintaining the present widows' bereavement allowance - let alone improving it (one could hardly say that, for tax, marriage begins with the husband's death). I believe its wider implications for the family are wholly unacceptable.

17. The alternative, independent taxation with transferable allowances (ITTA) is supported, in particular, by the WNAC and by the professional organisations. I believe that this offers in principle a much more coherent and acceptable tax structure than either MIT or the present system. It provides independence, where the wife goes out to work or otherwise has her own income; but it also provides fair support, where she stays at home to look after the family; and it recognises that this is a choice for her to make, not for any Government, whether by arbitrary rule or by still more arbitrary discretion.

18. Under ITTA there is a choice to be made between allowing the partner who stays at home to transfer the whole of his/her allowances to the other partner, or only part of them. We do not need to decide on this now. But, for the reasons given in paragraph 22 of the note by officials ~~I think~~ the balance of argument favours partially transferable allowances, rather than full transferability.

19. ITTA would also bring us much closer to the best practice in other European and North American countries, combining the two WNAC criteria of independence and support for the family. By contrast, no major western country either has anything comparable with our present system or seeks to disregard the reality of marriage, in the way that the advocates of MIT with cash benefits propose.

COSTS OF CHANGE

20. Either MIT with cash benefits or ITTA carries significant costs.

21. First, they both reduce the (now relatively too large) total tax allowances payable to the married couple where both husband and wife are earning. This is the clearest anomaly in the present system, and virtually everyone who responded to the Green Paper accepted that it should be removed. The impact could be eased by transitional arrangements. Nevertheless those who would lose (some 5 million couples) may complain, while the gainers may stay silent.

22. Over time the removal of this anomaly could yield savings (allowing for the cost of disaggregating investment income) approaching £1 billion under ITTA with partially transferable allowances (though with full transferability there would be a net cost). As the savings would not emerge before the end of the decade, it is not necessary to decide now how these should be used - whether to increase tax thresholds or cash benefits for families with children.

23. MIT would go further and use the whole saving from abolishing the married man's allowance to finance a new system of cash benefits. So virtually all married couples would face a higher tax burden.

24. Second, they both involve additional administrative costs, requiring perhaps some thousands of extra staff. Obviously, we should make every effort to reduce additional costs to a minimum. But some significant cost is unavoidable. This is partly because they require the Revenue to take on its books up to 12 million married women, whose tax affairs are now treated virtually as a by-product of their husbands'. In addition, the systems themselves are more complex, requiring (with MIT) the creation of new cash benefits, or (for ITTA) a system to transfer allowances between husband and wife. The planning and introduction of either system would take some years and the introduction of ITTA could not, in any event, be managed before the computerisation of PAYE is complete. There is the risk that - whilst virtually every woman may support the principle of independence - some women may in practice have difficulties when they have for the first time to fill in their tax returns, and become themselves responsible for payment of tax on their income.

THE CHOICE

25. The questions we now have to decide are

(i) what is the best alternative to the present tax treatment of husband and wife?

(ii) do the advantages of this alternative outweigh the costs?

(iii) if so, how far should we commit ourselves to reform at this stage?

(iv) what would be the timetable for implementation?

26. On the first question, I have no doubt that, if we decide to make a thorough-going reform of the present system, independent taxation with transferable allowance (ITTA) is the only acceptable alternative.

27. The second and third questions are more difficult. For obvious reasons, I am reluctant to make any change which would, in itself, complicate the tax system and add to administrative costs. However, I am not at all sure whether we have the option of stayingwhere we are. We are under pressure for reform from many quarters - both the other main political parties, our own Conservative Women's National Committee, the academic commentators, the political and equal opportunities lobbies, and professional organisations. If we cannot respond positively to these pressures, we risk leaving a clear field to our political opponents, and to a system of mandatory independent taxation with cash benefits, which I believe to be wholly unacceptable.

28. If we decide that there is a sufficient case for reform, the next step might be to prepare a White Paper - though with some pretty broad green edges. I might announce this in the Spring 1983 Budget, and publish perhaps a little later. The paper would need very careful drafting and I would wish to involve my colleagues fully in its preparation. It might indicate more or less firm Government support for the principle of independent taxation with transferable allowances; and then go on to launch the necessary next stage of public consultation on a number of points which have as yet been barely touched on in the public discussion. These include implications for other aspects of the income tax, for the capital taxes, and for social security benefits, in particular for the elderly.

29. The White Paper would also, of course, bring out as clearly as possible the disadvantages of MIT with cash benefits.

TIMETABLE

30. The timetable would be designed to give ample time to assess the response to this further consultative document, before we finally commit ourselves to go ahead. Given where we now stand, legislation would be a matter for the next Parliament. Implementation would be towards the end of the decade, when we have the benefits of a computerised PAYE system.

THE PRESENT SYSTEM OF TAXING HUSBAND AND WIF

1. The present arrangements basically treat the income of husban and wife as one. The wife's income is taxed as if it was the husband's and he is responsible for his wife's tax affairs as well his own. The married man is given an allowance which is higher (by 56%) than that of a single person. There is an additional allowance (equal to the single allowance) which is given against t wife's earned income, but does not run against either her investme income or any income of the husband's.

The present structure of personal allowances can thus be summarise

		£ p.a.	(% of a.)
a.	Single Person	1,565	(100)
b.	Married Couple, only husband earning	2,445	(156)
c.	Married Couple, husband and wife both earning	4,010	(256)
d.	2 Single People, both earning (compare with c. above)	3,130	(200)

MEASURES WHICH OFFER MARRIED WOMEN A MEASURE OF INDEPENDENT TREATME

2. Over time there have been a number of changes to the basic system, designed to give married women a measure of independent treatment. Thus the normal tax rules can be varied in two ways:-

a. Separate assessment (introduced in 1914) enabled husband and wife to be responsible for handling their own tax affairs, and for payment of their own share of the tax. It does not alter the total tax payable by the couple; it divides the bill between them according to their share of the joint income. Very few people (about 10,000) take advantage of this election.

b. Wife's earnings election (introduced by the Conservative Government in 1971) enables a couple to elect for the wife's earnings to be taxed separately. She gets a singl allowance against her earnings and the husband gets a single allowance (instead of the married allowance) against the rest of their joint income. The wife's investment income is still taxed as her husband's income, and he remains responsible for returns of his wife's income as well as his own. The election is only beneficial for couples where the total income and the wif earnings are large enough for the loss of the married allowance to be outweighed by the reduction in their higher rate tax. About 200,000 couples benefit from it at present.

3. In addition, there have been some administrative changes in th last few years to provide more equal treatment for married women in some respects - for example,

repayments of tax on the wife's income are now usually made direct to her;

and

correspondence on the wife's own tax affairs is now normally addressed to her direct.

CRITICISMS OF THE PRESENT SYSTEM

4. The main criticisms of the present system are:-

a. It treats the married woman as a 'chattel' of her husband (section 37 ICTA - if a married woman is living with her husband her income shall "be deemed for income tax purposes to be his income and not to be her income.").

b. The married man's allowance gives married men a bigger tax allowance than their wives (and a bigger allowance than single men or women).

c. It gives more than the sum of two single allowances to th married couple where the wife is working (they get 2½ tim the single allowance, while one income couples get 1½ tim the single allowance).

d. (from some critics) it gives <u>any</u> recognition to marriage.

e. (from some critics) it imposes a tax penalty on marriage (mainly in the case of couples where the wife has substantial investment income) so that couples can be better off co-habiting than married.

RESPONSE TO THE GREEN PAPER

5. The Green Paper, published in 1980 posed two basic questions:

a. <u>should the present system be left unchanged?</u>

- virtually all those who responded said that the present system was unacceptable, and that fundamental changes sho be made;

b. <u>if the system was changed, should the tax unit be the fam or the individual?</u>

- there was almost no support for moving towards the fami as the basic tax unit (as in France). The virtually unanimous response was that the individual should be the basic tax unit. Discussion centred on the form that a system of independent taxation should take, and in particular how far it is possible - or right - for the tax system to reconcile the principle of independence for the individual as the basic unit for tax with support for the married family.

OPTIONS FOR CHANGE

6. The main options for change canvassed in the Green Paper and subsequently developed in further work, are as follows:-

a. A right under which either husband or wife could choose from year to year

- to remain under the present system: or

- fully independent taxation of both earned and investment income, each with a single person's allowance - and no transfer of allowances between husband and wife.

This would extend the present options for separate assessment and for separate taxation of wife's earnings. A less developed version of the proposal received lukewarm support in response to the Green Paper, and then only as an interim reform before option c. becomes possib[le]

b. Mandatory independent taxation with cash benefits (MIT):

i. tax husband and wife as separate individuals, each with a single person's tax allowance

ii. abolish the married man's allowance, and replace it by

iii. cash benefits - increased child benefits and other benefits (usually unspecified) for those with dependents.

This is favoured by the poverty lobby, the Equal Opportunities Commission and both the Labour* and Social Democratic parties.

c. Independent taxation with transferable allowances (ITTA):

i. tax husband and wife as separate individuals

ii. give each, in the first instance, a single person's allowance

iii. permit any allowance unused by one partner to be transferred to the other (wholly or partially).

This is favoured by the Women's National Advisory Committee and the professional bodies.

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* See extract from 'Labour's Programme 1982' attached.

EXCHEQUER IMPLICATIONS

7. Under all three options the investment incomes of husband and wife would be taxed separately, whereas the wife's investment income is now aggregated with that of her husband and taxed at his marginal rate. The Exchequer cost of this at present allowance levels would be £bn0.3 under option a. and some £bn0.5 under MIT and ITTA mainly for the benefit of higher income families. Under both MIT and ITTA - but not option a. - there would be an off-setting gain of up to £bn1.3 from ending the anomaly under which a couple in which both husband and wife are earning get more than two single person's allowances (see paragraph 22. below for the further effect of fully transferable allowances). Under MIT there would also be an increased tax burden on one-income couples, and a further revenue gain on this account of £bn2.2.

STAFFING IMPLICATIONS

8. All three options are more complex than the present system and would involve additional staff costs. Option a. would cost several hundred additional staff. Both under MIT (particularly if we wished to mitigate the impact on minority groups such as the disabled) and under ITTA the costs could perhaps add up to several thousand additional staff; one of the reasons is that the Revenue would require tax returns of some kind from up to 12 million women whose affairs are now handled along with their husbands. The eventual costs will of course depend on the precise form the new system takes and its suitability for computers. This is a most important area for further work.

9. IMPACT ON TAX THRESHOLDS

Option a. would of course leave the present pattern of thresholds unchanged, except for the few hundred thousand couples who might choose independent taxation (where the husband would receive only the single person's allowance). On the existing levels of allowances, MIT would reduce the tax threshold for all married men from £2,445 to £1,565, increasing the tax bill for some 12 million couples; under ITTA the only major group to lose would be 5 million or so two-earner couples - the different effect on one-earner couples of partially or fully transferable allowances is discussed at paragraph 22. below.

Under both MIT and ITTA about ¼ million couples where the wife is the sole breadwinner would lose, but more so under MIT.

The impact of either MIT or ITTA on the elderly is more varied and more difficult to estimate, but under MIT almost all the taxpaying elderly would lose (some substantially) and under ITTA about two-thirds would gain and one-third lose.

TIMING

10. Option a. could be introduced quickly: perhaps legislation in 1983 and implementation in 1984. ITTA is not administratively practicable until after PAYE is fully and successfully computerised, at the earliest, by the end of 1987/88; it would in any event be prohibitively expensive of staff without computerisation. In

practice the timescale for any comprehensive MIT system would probably be very similar because it would involve a new range of cash benefits; it could only be implemented much earlier on a crude basis which would disadvantage many one-income couples of the kind which even the advocates of MIT would probably wish to protect.

11. Paragraph 24. below sets out a possible "time path" to reform.

ANALYSIS OF OPTIONS

Option a.: Right to choose independent taxation

12. This would give the wife the right (which she now does not h to independent taxation; and it could thus be presented as going s of the way towards meeting the pressure for change. It avoids the upheaval to the basic system that the other two more radical optic entail, and, though costly in staff for the Revenue (some hundreds of extra staff would be needed), it is a good deal less costly tha the other options.

13. This has attractions, but also serious disadvantage:

- it depends on a choice - with the attendant complexity and risk of criticism from taxpayers who find the choice difficult - and some of them would inevitably get the choice wrong.

- it retains the married man's allowance for the great majority of families and so does not tackle the anomaly that a two-earner couple can get more than two single allowances.

- if it has to be seen as no more than a first step towards independent taxation with transferable allowances, it implies the disturbance of two major changes in this sensitive area of the tax system within a decade

- it would be strongly opposed - as a step in the wrong direction, by those in the Equal Opportunities Commissic poverty lobby and the Opposition parties who want to abolish the married man's tax allowance in favour of bigger and better social security benefits.

- it would get only a lukewarm welcome from the other critics of the system, as no more than a first step in th right direction - independent taxation with transferable allowances.

- it would (like all moves towards independent taxation of husbands and wives) benefit those with investment incomes and the first costs might arise in 1984-85. But it would not have the broader (and arguably more "progressive") distributional effects of the more radical options.

Option b.: Mandatory independent taxation with cash benefits

14. This approach has a variety of supporters, not all with the same objective:

- an increase in child benefit would be welcomed by mother in particular in low income families;

- increases in child benefit, and consequent possible reduction in means tested benefits, would also be helpful in mitigating both the poverty trap and the unemployment trap for some families with low incomes (though the consequent reduction in tax thresholds would also make th trap worse for some families);

- if financed by a reduction in income tax allowances, it could contribute to a new re-distribution of income more generally from middle and higher income families, in favour of those with low incomes;

- the whole approach would be consistent with a view of society in which marriage is irrelevant*.

15. The first two of these objectives are important, so far as they go. Indeed, they were among the Conservative Government's objectives in the original tax credit scheme of 1971. The question always, is cost; and whether - as is proposed here - the cost is easier to handle if it is wholly financed by increasing the income tax burden on married couples without children below school leaving age. Why income tax? and why married couples?

16. The second two points are not among the Government's objectiv In particular, the present Government have always emphasised the importance of the family, and the fact that the family is based on marriage.

17. Moreover, when one comes to look at this approach more closely it raises some formidable problems:-

i. it would take a further £3½billion directly from taxpayers in order to pay it out in social benefit;

ii. it would inevitably involve a radical review of the way the social security system treats married couples and the family unit;

iii. as stated above, it would reduce the tax threshold for all married men.

iv. it is based on the objectionable idea that in dealing with couples where the wife is at home the State should

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* eg National Council for Civil Liberties -

"Neither sex nor marital status should result in a different tax burden"

National Labour Women's Commission -

"Men and women should be treated as equal and separate for tax purposes regardless of marital status" discriminate between 'deserving' and 'undeserving' wives that is, give cash benefits to those who look after children or have other "worthy" reasons for staying at home and deny cash benefits where the wife "simply chooses to stay at home";

v. even if one accepted the principle of discrimination between 'deserving' and 'undeserving' wives, in practice it would be impossible to devise a sensible cash benefit system and put the dividing line in the 'right' place;

vi. it would at the same time be logically inconsistent with any special tax relief for widows, such as the Widow's Bereavement Allowance introduced by the Chancellor in 1980;

No other major Western country completely disregards the fact of marriage in the way that the advocates of this system propose.

18. It may help to illustrate the practical points at iv. and v. above.

- The most important case is also the simplest; replacing the married man's tax allowance by an increase in child benefit payable to the mother. It is thought there was some effect on wage claims when child tax allowances were abolished and child benefit first introduced between 1977 and 1979; the transfer from wallet to purse with MIT would of course be much larger.

But there is an almost infinite variety of other situations, where a wife has a commitment which prevents her from going out to earn her living in the market place, and where we could not possibly justify withdrawing tax relief on any grounds of "equity". For example:

- There may be a dependent parent or other relative; sometimes may be someone living with the family, and so infirm that they cannot be left for any length of time; at the other extreme, it may be an elderly or infirm person living nearby, who does not need full time care, but who cannot be left to fend for himself or herself day in and day out. In either event, the wife may be unable to commit herself to a regular job.

- Again, the husband may be disabled, or in such uncertain heal that the wife cannot commit herself to employment.

- The wife herself may be disabled etc.

- The wife may have stayed at home to look after her children. When they leave home, she is in her forties or fifties - when she finds it most difficult to go out and resume a career. Child benefit has ceased, and the proposed new system would give the family no marriage allowance to take its place.

- The husband may have work in an area of high unemployment - or where there are few if any businesses employing women but the wife (unlike a single woman) is not free to leave home and look for a job elsewhere.

- The couple may be elderly and retired; the adverse effects virtually all elderly couples would be severe and difficul remedy, at least without further action that could be eith anomalous or costly, or both.

19. In these cases, and many others, withdrawal of relief woul wholly unjustified on its merits. No-one has yet suggested a scheme of cash benefits which would cater for all these situatic all their variety - and which would not cost far more to pay, an administer than the present system.

Option c.: Independent taxation with transferable allowances

20. As a long term objective, this would in principle provide coherent and rational alternative to the present sex discriminat system. It meets the legitimate pressure for more independence equality under the tax régime, but it still pays proper regard t reality of marriage. In particular

- it would treat husband and wife equally;

- it would end the anomaly under which the two earner couple gets more than two single allowances;

- the UK system would be in line with tax systems abroa in recognising marriage (as now) but not (as now) giv more than the sum of two single allowances;

- it would give relief to wives as of right with no invidious discrimination between the 'deserving' and 'idle'.

21. At the same time, it would be a pretty radical change, wit broader implications and some substantial costs. In particular

- the change in the tax treatment of two earner couples would - for better or worse - reduce the present incentive for married women to go out to work;

- it would in consequence reduce the tax threshold for s 5 million married men (those where the wife is earnin more than about £13 per week); and there would probab need to be transitional arrangements to soften the impact;

- the transferability of allowances would be complex and cost a lot of staff - up to 6,000 depending on the degree of transferability (see paragraph 22. below) and the precise form of administration chosen;

- up to 12 million wives would have to take over from their husbands responsibility for their own tax affairs;

- it would raise difficult questions about consequential changes elsewhere in the income tax system - such as whether a married couple should qualify for two separate mortgage interest ceilings: some of these could be to the benefit of the taxpayer; others could be his disadvantage;

- measures would be needed (as its advocates freely accept) to control avoidance through transfers of income between husband and wife;

- changes would need to be considered in the present taxation of capital transfers between husband and wife.

22. Within an ITTA system, there would also be a choice to be made between wholly and partially transferable allowances - that is, whether a spouse with insufficient income to use up his or her own single allowance should be able to transfer to the other the whole or only part of the unused allowance. Both versions would provide equal and independent treatment where the wife has sufficient income of her own, whether earned or not, to use up her single allowance, and both would reduce the allowances available to the two-income couple from 2½ to 2 times a single allowance. Full transfer would however increase the allowances to the one-income couple from 1½ to 2 times the single allowance, whereas partial would maintain the present relativity of 1½. At existing levels of allowances, the net exchequer gain of £0.8billion from a partial scheme would be converted into a net loss of £0.3billion if full transfer were allowed; this means that if the change were made on a revenue-neutral basis, the single allowance would have to be cut and all single taxpayers would lose. The staffing costs of up to perhaps 5,000 for partial transfer,(though it might be significantly less, depending on the form of administration) would be increased by at least 1,000 for full transfer. The choice is not one that has to be made yet, but for these and other reasons the balance of arguments points at present very strongly towards a system of partial transfer.

23. Comparison with other countries. Under ITTA the UK tax system would be broadly similar to that of most other Western countries, in that it would continue to recognise the position of one-income married couples in the tax system but give the working couple only twice the single allowance (the present advantage for two earner couples is a peculiarity of the British system). ITTA would however give more independence and privacy than in many other countries. Some have joint taxation of investment income, though earnings are separately taxed. Others have a joint taxation system, with 'income-splitting'. Under this approach a married couple's income is added together and divided by two, with a single allowance and set of rate bands being set against each half of the couple's total income. This approach would give a bigger benefit than ITTA to wealthy one-income couples. It would also be more complex than ITTA - particularly if it was necessary (as in the USA) to add in an option for independent treatment of husband and wife, because of the restrictions on privacy in the basic income splitting approach. Variants of this joint taxation approach were floated in the Green Paper, but attracted very little interest.

SUMMARY

24. Option a. - the right to choose independence - has attractions but it would be complex and difficult for taxpayers, involve significant revenue and staffing costs, and would still be seen at best as only a modest step in the right direction. For the reasons set out above and summarised in the Chancellor's paper, MIT is open to very strong objections. ITTA has significant costs in terms of administrative complexity, major extra staff requirements, redistributive effects and the wider implications for other areas of the tax system and for social security. On the other hand, it seems to go nearest to achieving the right balance between independent tax treatment, support for the family and individual choice.

TIMETABLE

25. If Ministers conclude that a sufficient case has been made for radical change on the lines of ITTA, a possible timetable for action following the publication of a White Paper next Spring might involve:-

- a period of between 1 and 2 years for people to digest the broader implications of major reform and for consultations;

- draft clauses and legislation early in the life of the new Parliament - eg 1985/86;

- a further period for consultation on detailed regulations, administrative instruction to employers, training, publicity and so forth (experience suggests that, even leaving aside the need to wait until the Revenue's computers come on stream, employers also will need at least 2 clear years to implement a change of this kind);

- final instructions to employers, issue of tax returns, coding notices etc - followed by implementation towards the end of the decade.

... the personal allowances. Our first priority, however, is a significant real increase in tax thresholds.

The income tax age allowances will be kept under review to ensure that those elderly taxpayers with little or no income above the present basic state pension are kept out of the tax net, and we will consider aligning the age allowance with pension age.

At the other end of the scale, Labour will act to bring down the starting point of the higher rates of tax. In order that those with higher earnings pay their full share of National Insurance contributions we shall act to remove the ceiling on contributions or levy a higher rate of tax above the ceiling.

Tax reliefs and perks

Even with the existing rates and allowances, the income tax system could be much more redistributive. The steady erosion of the tax base, by a range of special reliefs of which the wealthiest taxpayers are best placed to take advantage, greatly increases inequality.

These special reliefs include those available on life assurance premiums, and for self-employed annuities for company directors and others not covered by pension schemes. All such reliefs have some justification, and none is used exclusively by the rich. Labour does not seek a total withdrawal of the reliefs. We shall, however, act to limit the open-ended nature of tax reliefs so that the better-off no longer benefit disproportionately.

Labour will also make a determined attack upon the great array of tax-free perks made available by companies to their employees. We shall ensure that employees are taxed on the full personal benefit of company cars over and above their use for genuine business purposes. The new tax treatment for company cars will, however, be phased in over a period having regard to any possible adverse effects on the British motor industry.

Tight restrictions on the availability of special reliefs and perks will provide the extra revenue to make possible higher personal allowances for all taxpayers.

Some perks directly undermine the public services by artificially encouraging private provision. As a matter of priority, Labour will act to remove all the tax privileges of the independent schools, and the income tax relief on school fees; and will tax employer-funded private health insurance at its full value to the employee.

7

Sex discrimination in tax

For income tax purposes, married women are treated as wholly dependent on their husbands. Married men receive a differential income tax allowance, and are taxed on the joint income of husband and wife, with the option for separate taxation of earned income only. There must be a fundamental change in the tax treatment of married women, to end the indefensible discrimination of the present system.

Labour will phase out, over a period of three years at most, the married man's additional personal allowance, so that all taxpayers receive the same allowance regardless of sex or marital status. The revenue costs of the allowance — some £3,000 million a year at present — will be redirected towards those with responsibility for dependants through enhanced child benefit rates, and an extension of the Invalid Care Allowance.

Completely independent taxation, with the ending of aggregation between husband and wife, is the only option which would end discrimination according to marital status and ensure that married women can have privacy in their financial affairs. There are other options which could remove direct discrimination between the sexes, but without allowing privacy and independence. We favour the principle of total disaggregation, but recognise that this could cause some problems. By itself, disaggregation would reduce tax revenue and would favour couples with high incomes from investments. It could, however, be acceptable within the context of a total package of tax changes which significantly reduced inequality overall. We are currently consulting within the party on this issue.

Indirect taxation

Labour's commitments for the public and social services will require a strong base of indirect as well as direct taxation. However, Labour vigorously opposed the Tories' heavy switch from direct to indirect taxation in 1979. A reduction in the rate of Value Added Tax (VAT), appropriately timed, could play an important part in Labour's strategy against inflation. Labour will also take action to ensure that the benefit of any reduction in indirect tax rates is passed on to consumers.

Labour will be ready to make changes in indirect taxes, as well as income tax, to move in the direction of greater social equality. One such change would be the introduction of differential rates of VAT, so that the less essential goods and services were taxed at a higher rate than everyday living costs. Labour will ensure that such essential items as food, fuel, children's clothing and public transport, remain fully relieved of VAT through zero-rating. It will add sanitary protection, for example, to this list while making private hospitals liable for higher rates of VAT.

In the longer term Labour intends to remove the complex VAT system and replace it with alternative taxes on goods and services which will place less of a burden of paperwork on businesses, and will also require less public administration. For consumer goods, this alternative would involve a single-stage tax like the former purchase tax, levied on wholesale prices and capable of being levied at a number of different rates with essentials exempted.

Taxing wealth

Taxes on income and expenditure alone can never go very far to change the extremely unequal distribution of wealth in Britain today. It is essential to act directly on inherited wealth, which is by far the greatest source of the inequality. The taxation of capital at present is on an extremely small scale, accounting for only 2½ per cent of total tax revenue in the current year, compared with 5½ per cent ten years ago.

The next Labour Government will introduce an annual tax on ...

Home Affairs, Family Policy Group, Pt 2

2 3 NOV 1982

CONFIDENTIAL

HL

10 DOWNING STREET

From the Private Secretary

30 November 1982

Dear John,

I enclose a paper by the Chancellor of the Exchequer on the expenditure background to the work of the Family Policy Group and in particular its discussions today on husband and wife taxation.

I am sending a copy of this letter to the Private Secretaries to the members of the Group and to those who had asked to be kept informed.

Yours ever,

Tim

Tim Flesher

John Halliday, Esq.,
Home Office.

CONFIDENTIAL

HL

10 DOWNING STREET

PRIME MINISTER

Family Policy Group: Chancellor's paper

You wanted one or two revisions in the paper for the Family Policy Group which the Chancellor put in at the weekend. I attach an amended version. I think it meets your points; do you agree that it may now be circulated?

TF.

Yes

Tim Flesher

md

29 November 1982

CONFIDENTIAL

FPG(82)4

The background to the Group's work

Memorandum by the Chancellor of the Exchequer

The purpose of this paper is to set out what I see to be some of the wider background against which we should take our decisions, and to comment briefly on our programme of work.

2. At the meeting of the Group on 10 September, the Prime Minister said that the main thread running through the programmes we discussed was the need to return to consumers the power to make their own choices, to return to them more of their own money to spend as they saw fit, and to pass to them control in many areas which are at the present controlled by bureaucracies. I agree, and in the key principles for the work of the Group which were set out in my note of 31 August I said as much. In my view the points which Ferdinand Mount makes in FPG(82)1 will help us towards achieving these aims.

3. But much depends on the overall economic picture. Our aims - fostering individual responsibility and substituting personal responsibility for a collectivist attitude - are closely related to and depend in large measure on the success of our economic policies. And we shall only succeed in restoring growth on a sustainable basis if we continue to implement responsible fiscal and monetary policies.

4. Which poses us with a dilemma. The Group will recognise how difficult, but now necessary it is to restrain public expenditure and control public sector deficits. Yet many of the individual proposals that are being put forward in FPG(82)2 will inevitably involve some additional public expenditure or some reduction in tax receipts. To that extent they would operate against the overall requirement to contain the public deficit.

5. This dilemma is not new. I have faced it in each of the four Budgets I have presented since we came to office. I have endeavoured to reconcile the containment of the public deficit with my desire to make room for worthwhile measures. I agree that, while our aim should

be to minimise any addition to public expenditure or any reduction in revenue, new proposals which involve additional expenditure should not be ruled out on that account. I hope we can discuss this sort of proposal as soon as possible. But I would ask that the Group bear this dilemma in mind. And I would suggest that as a matter of mechanics, and to help the work of the Group, the Treasury and the Inland Revenue as appropriate should always be consulted on the drafting of papers where such costs - in terms either of reduced tax receipts or higher public expenditure - are involved.

6. I turn to another point. As we agreed at our first meeting, we need to keep our discussions as specific and as practical as possible. From this point of view, we must not allow ourselves to be swamped under a tidal wave of paper - I note, for instance, that Appendices A to C by themselves call for no fewer tan 19 papers from Group members. I do not think that we should take up time next Tuesday on procedural matters. But I am sure that we can in practice do all we want, and do it better, with fewer papers, more sharply focussed.

..... 7. Finally, I attach a paper on the origins of the poverty and unemployment trap which is interesting in its own right but which should also provide useful background to our discussions of the tax and social security aspects of our work. It demonstrates what can happen when, with the best of intentions, successive Governments take decisions in the tax and social security field without consideration for their long-term implications. It is not going too far to say that if different decisions had been taken, the existence of the present Group might not be necessary.

HM TREASURY
29 November 1982

THE ORIGINS OF THE POVERTY TRAP AND THE UNEMPLOYMENT TRAP

The unemployment trap can mean that people are little or no better off in work than out of work. The poverty trap affects people in work on low income can mean that an increase in their earnings results in little or no extra money in purse or wallet.

2. This note examines how this unsatisfactory and perculiar position has arisen and what can be done to improve it.

3. The traps arise from the overlap, or near overlap, of the tax and social security systems. Over the last 25-30 years the gap between benefits and tax thresholds has been compressed.

4. Benefits have been increased broadly in line with average earnings. Thus we get :

	(% average earnings)			
	1950	1960	1970	1980
Supplementary Benefit (married couple)	29	31	30	30
Unemployment Benefit (man plus dependent wife)	26	30	32	29
Child Support (one child family tax allowances, FAM and child benefit)	7	5	3	4

While the figures move around a bit, the picture is one of a fairly stable relation with average earnings. Child support is something of an exception; the child support figures for FAM and child benefit alone (for a 2-child family) would be 2 per cent in 1950, 1 per cent in 1960, 2 per cent in 1970 and 8 per cent in 1980.

5. Meanwhile on the tax side, income tax thresholds have been rising generally in line with prices and so have been <u>falling</u> in relation to average earnings :

	(% average earnings)			
	1950	1960	1970	1980
Tax thresholds - for married man with no children	63	46	37	35
- for married man with 2 children	100	79	52	35
- for single man	39	27	25	23

Comparing the two tables above, it can clearly be seen that the gap between benefits and thresholds has declined dramatically. On the second table the differences over the period 1970 to 1980 in the figure for a married man with no children and for a married man with two children reflects the abolition of child tax allowances.

6. Why has the tax threshold fallen in this way? Two factors have been at work. First, the rise in public expenditure required higher and higher levels of taxation. Total tax receipts rose from about 30 per cent of GDP in 1955 to about 36 per cent in 1980. It is not easy to get a consistent series of figures over time for the share of public expenditure in GDP. Public expenditure in 1980 was about 44 per cent of GDP; in 1970 it was 38 per cent; in late 1950s it was around 32 per cent. The main programme responsible for the growth of total public expenditure is social security which has risen by the equivalent of about 5 per cent of GDP since the mid 1950s. Health, education and housing have also shown considerable but smaller increases.

7. Second, Governments have tended to seek higher tax receipts by way of direct taxation, not indirect taxation. In 1980 indirect taxes receipts were about the same percentage of GDP as in the mid 1950s and in the early 1960s. Over the same period income tax receipts rose by the equivalent of 3-3½ per cent of GDP and social security contribution by 2½-3 per cent of GDP.

8. In part this result - high expenditure coupled with high taxation - was genuinely unplanned. Successive Governments planned their expenditure on over-optimistic assumptions about economic growth. When that growth did not materialise the money had to be found from somewhere - so taxes were increased. It was easier to do this by failing to increase income tax thresholds than by raising rates of tax.

9. Internationally these same phenomena have been at work throughout the OECD - public expenditure rising as a percentage of GDP and the tax burden being shifted onto direct taxes and social security contributions. Our income tax thresholds are not much out of line with other countries, but we do start paying at a relatively high rate of income tax.

For married person without children in 1982 :

	Threshold (£)	Income tax rate (%)	Rate of income tax plus employees social security contribution (%)
UK	2445	30	39
USA	3270	12	19
Sweden	1710	30	30
Netherlands	3150	16	35
Japan	2730	14	19
Italy	1795	10	16
Germany	3000	18	35
France	3250	7	17

One reason why other countries have a lower onset rate of income tax is that they rely much more heavily than we do on social security contributions; in 1980 such contributions were about 17 per cent of UK total tax receipts compared with 43 per cent in France, 34 per cent in Germany, 35 per cent in Italy, 29 per cent in Japan and 26 per cent in USA. The final column of the above tables picks this up and shows the combined rate above the income tax threshold of both income tax and employees social seucrity contributions. It does not, of course, pick up employers social security contributions which are relatively high in e.g. France.

10. The traps therefore arise from a contribution of :

a. attempting to alleviate poverty and hardship. To do this social security benefits have been increased with earnings;

b. using means testing to hold down the cost of benefits. Means testing means withdrawal of benefits as income rises and so acts in the same way as a tax;

c. despite b. the cost of social security has risen markedly, as have the costs of certain other programmes;

d. as a result of c. the tax burden has risen;

e. tax has fallen increasingly on incomes rather than expenditure. This is partly a reflection of further policies to help the poor as indirect taxes tend to hit them relatively hard;

f. the result of e. has been to hold down income tax thresholds (relative to earnings) and increase rates of income tax and of social security contributions. This has produced a compression of the gap between benefits and tax and, combined with the withdrawal of means tested benefits, high marginal rates of "tax" on in-work income.

11. What can we do? The long term answer is to work towards a reversal of the trends that have got us where we are. This means lower public expenditure as a proportion of GDP which in turn means slower growth of public spending and faster growth of GDP (in both cases relative to the past). This would lead to a reduction in the burdens on the taxpaying population.

12. In the short term this approach would involve concentrating whatever scope there is for tax reductions of income tax, particularly on thresholds.

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O10

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

29 November 1982

Tim Flesher, Esq.,
No.10 Downing Street

Dear Tim,

... I attach a slightly revised version of the Chancellor's paper for the Family Policy Group.

Yours sincerely,

Jill Rutter

JILL RUTTER

cc TF to HO
d/d 11/11
+ DHSS

JP

10 DOWNING STREET

From the Private Secretary 29 November 1982

The Family Policy Group is to meet tomorrow and I attach an agenda which the Prime Minister has approved for discussion on that occasion.

I am sending copies of this letter to the Private Secretaries to other members of the Group and to those who have asked to be kept informed.

(TIM FLESHER)

John Halliday, Esq.,
Home Office.

1

PRIME MINISTER

Attached is a draft agenda for the Family Policy Group and a paper by the Chancellor of the Exchequer on the financial background to the work of the Group. Do you agree that I should circulate the agenda (Mr. Mount has indicated his agreement) - and the Chancellor's paper.

T.F.

Tim Flesher

26 November 1982

Would you return the papers appendix to the Chancellor. The pieces I have marked could prove embarrassing if the paper leaked. They could be altered.

MT.

Hy0964

CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7217

D E R Faulkner, Esq.,
Home Office,
50 Queen Anne's Gate,
London, SW1

24 November 1982

Dear David,

Family Policy Group

I hope that I am correct in assuming that you and the other "link persons" have by now seen copies of the first two papers circulated for next Tuesday's meeting of the Group; viz:

(i) FPG(82) 1 - A Guidance Note for Officials by the No. 10 Policy Unit; and

(ii) FPG(82) 2 - Proposals for a Programme of Work: Note by the CPRS.

Both documents were circulated on 11 November to members of the Group and to the Secretaries of State for Scotland and for Wales (who are not members but receive papers) under cover of a letter from Tim Flesher (NO. 10) to John Halliday (Home Office). The Chancellor of the Exchequer's paper on Taxation of Husband and Wife, which is also on the Agenda for next Tuesday, is due to be circulated later today.

In connection with the circulation of papers, I have had words with both Mr Mount and the Private Secretary at No. 10 and have agreed with them that it would probably be best if, except in special circumstances, all papers were circulated from No. 10. This would enable those of us responsible for the Group's administrative arrangements to impose a minimum of order on what is bound to be a pretty loosely organised forum. Copies of papers for circulation should therefore be sent to me or to Tim Flesher at No. 10. We shall ensure that each is assigned a number and circulated to the Group, if possible under cover of a note indicating when the paper is likely to be considered and perhaps also (when appropriate) drawing out the main points for consideration.

In response to enquiries about the membership of the Group, which appears to change from time to time, I enclose a list of those who are members as of close of business today.

I am sending copies of this letter and enclosure to the usual list of "link persons".

Yours ever,

Gordon

(G J WASSERMAN)

Members of the Family Policy Group

1. Prime Minister
2. Home Secretary
3. Chancellor of the Exchequer
4. Secretary of State for Education and Science
5. Secretary of State for the Environment
6. Secretary of State for Industry
7. Secretary of State for Transport
8. Secretary of State for Social Services
9. Lord Privy Seal
10. Secretary of State for Employment
11. Chancellor of the Duchy of Lancaster
12. Minister of State, Home Office (Mr Raison)
13. Sir Robert Armstrong
14. Mr John Sparrow
15. Mr F Mount

Copies of papers go for information to: Secretary of State for Wales
Secretary of State for Scotland

24 November 1982.

cc: Mary Brown
(LPSO)

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

23 November 1982

Tim Flesher, Esq.,
No.10 Downing Street

Dear Tim,

FAMILY POLICY GROUP

..... I attach a paper prepared by the Chancellor of the Exchequer on the taxation of husband and wife which you agreed should be discussed at the meeting of the Family Policy Group on 30 November.

Copies of this letter and attachments go to John Halliday (Home Office), Imogen Wilde (Department of Education & Science), David Edmonds (Department of the Environment), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), Barnaby Shaw (Department of Employment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), David Clark (Department of Health), Richard Hatfield (Cabinet Office), Gerry Spence (CPRS) and Mr. Mount (No.10). Copies also go for information to C. Evans (Welsh Office) and Muir Russell (Scottish Office).

Yours sincerely,

Jill Rutter

JILL RUTTER

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10 DOWNING STREET

From the Private Secretary

11 November 1982

Dear John,

As you know, the next meeting of the Family Policy Group will be at 1700 on 30 November. The Prime Minister has asked that at that meeting the Group should consider proposals by the CPRS for the Group's future programme of work and I enclose a paper prepared with that in mind.

The Prime Minister has also asked that a paper by Mr. Mount on the background to and purpose of the Group should be circulated and a copy of that paper is also enclosed.

I am sending a copy of this letter and enclosures to John Kerr (H.M. Treasury), Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), Barnaby Shaw (Department of Employment), Allex Galloway (Office of the Chancellor of the Duchy of Lancaster), Michael Gillespie (Home Office), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS). Since they have asked to be kept in touch with the Group's deliberations, I am also sending copies to Adam Peat (Welsh Office), Muir Russell (Scottish Office) and Mary Brown (Lord Privy Seal's Office).

Yours ever

Tim Flesher

TIMOTHY FLESHER

J. F. Halliday, Esq.,
Home Office.

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<u>Members of the Family Policy Group</u>

1. Prime Minister
2. Home Secretary
3. Chancellor of the Exchequer
4. Secretary of State for Education and Science
5. Secretary of State for the Environment
6. Secretary of State for Industry
7. Secretary of State for Transport
8. Secretary of State for Employment
9. Chancellor of the Duchy of Lancaster
10. Sir Robert Armstrong
11. Mr John Sparrow
12. Mr F Mount

Copies of papers go to: Secretary of State for Wales
Secretary of State for Scotland