

ITV LEVY FOR CONTRACT EXTENSION PERIOD

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The Home Secretary wrote to the Chancellor setting out proposals for changes to the ITV levy for the contract extension period, running from 1 January 1990 to 31 December 1992. The annex to his letter looks at two options: a revenue levy and a mixed revenue and profits levy. The Home Office concludes that the mixed levy is preferable, whereas the Treasury prefers the revenue only scheme.

Both schemes are preferable to the existing profit-based levy. The differences between the two schemes - particularly in terms of their distribution on individual companies is not great.

On balance, the Treasury favour the revenue scheme for three reasons:

- (a) it has clear advantages over the mixed scheme, largely because it reduces marginal effective tax rates and thus acts as a stimulus to efficiency;
- (b) if we move to a mixed system of levy now it would be extremely difficult to change in 1993;
- (c) the risks of instability mentioned by the IBA are very much the product of the wildly fluctuating inflation rates of the early 1970s, which do not apply today.

Recommendation

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It hardly seems worth you devoting a considerable amount of time to examining the details of these two schemes. On balance, the Treasury make out a slightly stronger case than the Home Office and therefore deserve support.

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