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New Entry,

FOLLOW UP TO CHEQUERS SEMINAR ON INDUSTRY AND EMPLOYMENT

You asked me to let you know where we stood on the various remits given to the Treasury at the Prime Minister's seminar last September. It may be most helpful if I comment on each item in the order in which it appears in the Annex to Michael Scholar's letter of 14 September. Of course, a number of them imply a loss of tax revenue, and I strongly suspect that the Chancellor will therefore want to reserve final judgement on these ones until he has a clearer idea of his room for manoeuvre next spring.

Share option schemes

The Inland Revenue have worked up some detailed proposals, which John Moore has been considering, and will be discussing with the Chancellor today.

Higher tax bands

This will be considered in the run-up to the Budget.

Company taxation

John Moore has just put some specific proposals to the Chancellor: they will be discussed within the Treasury next week.

Burden on enterprise and discrimination against the self-employed

Nick Ridley did a lot of work on this before he left the Treasury. John Moore has been pursuing it subsequently, and will be reporting to the Chancellor shortly.

Reduction of agricultural subsidies

The Prime Minister has called a meeting this month. The Chief Secretary will attend. The CAP aspect has of course been extensively pursued all autumn.

NEDC paper on jobs

Our paper has been circulated to the NEDC. The Prime Minister has a copy. NEDC are to discuss it next Wednesday.

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Expansion of activities of building societies

This will be covered in the general Green Paper on building societies which we envisage publishing early in the New Year, and about which we shall be consulting the Prime Minister in due course. Ian Stewart is handling this at present.

Removal of private rented property from liability to CGT

The Chancellor has considered this proposal very carefully but has concluded that it should not be pursued further. The problem is that the effect of the suggested change would be to reduce the availability of properties for renting, for it would encourage the sale of units which are at present in the rented market. The Chancellor believes that the key to increasing the supply of rented accommodation lies in the relaxation of rent controls.

Stamp duty on house purchase

This is being examined very carefully, as is the question of stamp duty on securities - very much a live issue in the context of the Stock Market liberalization. Action on either would of course be expensive, and would fall for consideration in the Budget context.

Opening the public sector to market forces

The Chancellor's two remits under this heading are being actively pursued. John Moore's series of meetings with nationalised industry sponsor Ministers is very relevant.

Industrial Sponsorship

Treasury officials sent the DES an outline paper some weeks ago, and are now trying to extract a response!

A copy of this letter goes to Andrew Turnbull.

*Yours ever,
John Kerr*

J O KERR
Principal Private Secretary