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Treasury Chambers, Parliament Street, SWIP 3AG

24 October 1984

John Butcher Esq MP

*John-John*

*will request if  
↓ required*

Thank you for your letter of 21 September about tax incentives to industry to support education and training in key skill areas. I am sorry I was unable to reply before your meeting on 24 September.

...

I think you will have seen my correspondence with Keith Joseph and Allan Stewart (letters of 13 June and 21 August attached), which outlines the tax reliefs already available to industry for contributions they may make in the form of funds, equipment or staff. I believe it is common ground that these are not fully taken up at present. Your Committee might consider how industry could be encouraged to take advantage of these reliefs to alleviate the problems of IT skills shortages. There is certainly no lack of incentives in the tax system if firms can only be convinced of the benefits they could derive from greater financial support for education and training. I understand you made it clear at your recent conference that it is largely up to industry to solve the problem of manpower shortages in electronics and computing.

I hope the Committee will resist the temptation to recommend new, and even more extensive tax reliefs as a general panacea. All too often such reliefs are regarded as costless but the fact is that the Exchequer has to foot a proportion of the bill and a tax expenditure needs to be justified as carefully as public expenditure. It would be helpful if you explained to the Committee that our policy is not to create further special reliefs but to phase out existing ones where possible and broaden the tax base so that priority can be given to reducing tax rates. New tax incentives for industrial funding of education and training would be inconsistent with this approach.

Copies of this letter go to recipients of your's.

*Peter Rees*

PETER REES