

MR NORRGROVE

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PROFIT-SHARING SCHEMES

The Chancellor wants to announce in the Budget that he will consult on a proposal to give tax relief for schemes enabling employees to share directly in the profits of their companies. The Prime Minister is worried that this will be open to abuse by high-paid City slickers.

No - a  
sidepoint

But the purpose of the scheme is exactly the opposite. High-paid people in the City already enjoy generous "top hat" share option schemes. The aim is to encourage schemes which spread out to the wider workforce.

That is why the Treasury would envisage the following sorts of rules for any such scheme:

- i. At least 80% of the workforce have to participate in the scheme.
- ii. A maximum of, say, £2,000 of profit-related income.
- iii. A possible maximum cut-off point for eligible salaries.
- iv. Although exempt from income tax, such schemes might bear CGT. This would not be a burden for most people, but would penalise the very rich.
- v. Rewards must be genuinely related to profits.

Such a scheme would have the support not only of free marketeers like Sam Brittan, but also possibly of unsympathetic commentators such as Gavyn Davies and Victor Keegan. They see it as a genuine attempt to spread a share in profits more widely: they would not be interested if they thought it was just to make City salaries even bigger.

Finally, the Chancellor is of course only proposing at this stage to consult on the scheme. His idea is very Green. He would envisage first of all talking privately to organisations such as the CBI, and then issuing a consultation document. If it is apparent that such schemes will flourish only in the City, then the idea should not and would not be pursued. But to remove it from the Budget speech would weaken the important message that everyone should share in the success of their companies.

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