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cc: C. 11-10  
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JOS

10 DOWNING STREET

From the Private Secretary

CC ELECTION:  
11 May 1983 The General Election 1983

NEGOTIATIONS ON THE FINANCE BILL

The Prime Minister held a meeting yesterday evening to consider how to resolve the impasse which had arisen in the negotiations between the Government and the Opposition about the Finance Bill. The Lord President of the Council, the Chief Secretary, the Chief Whip and Mr. Gow were also present.

The Chief Secretary said that the Opposition were making it a condition of their agreement to facilitate the whole of the Finance Bill that the Government should drop three clauses granting concessions on Capital Transfer Tax, raising the higher tax rate thresholds, and raising the mortgage interest relief ceiling to £30,000.

After a short discussion, the Prime Minister said that it was agreed that these reliefs could be dropped in order to secure the Opposition's co-operation on the remainder of the Finance Bill. The alternative course, to vote down the Opposition's demands, would have too damaging an effect on the rest of the negotiation. Besides, the Opposition's attitude was likely to harm them in electoral terms, given the sizeable number of people who stood to benefit from these reliefs. The Government should make it plain that, if returned, it would on the first available day after the Election introduce a Finance Bill No. 2 which would restore these reliefs. For the present, the aim should be to place the responsibility for withdrawing these tax reliefs squarely upon the Opposition.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and David Edmonds (Department of the Environment).

David Heyhoe, Esq.,  
Lord President's Office

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