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Jim SAKRE
cc.
Mr. HOBSON

10 DOWNING STREET

From the Private Secretary

25 October, 1984

Partnership Taxation: Basis of Assessment

The Prime Minister discussed with the Chancellor his minute of 28 September. She had also seen the exchange of correspondence between Sir Geoffrey Howe and Mr. Healey in 1978 which you sent over. It was agreed that it would not be right to pursue current-year assessment for partnerships.

The discussion then turned to whether the Inland Revenue should issue the proposed consultative document. The Prime Minister questioned whether it was necessary to change the basis of assessment of partnerships. The Chancellor explained that the document was intended as a response to the PAC which had identified an avoidance device. He assured the Prime Minister that if the result of the consultation process showed that changes to close this loophole could not be made without damaging the legitimate operation of partnerships, he would not proceed with them. On this basis, it was agreed that the document could be issued by Inland Revenue.

ANDREW TURNBULL

David Peretz, Esq.,
HM Treasury.

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