

PRIME MINISTER

GREEN PAPER ON PERSONAL TAXATION

It is most unfair of the Chancellor to plonk on you, under cover of a one-page minute, this massive document, which has enormous political and macro-economic implications, and expect a quick reply.

The minutes of David Norgrove (Flag A) and David Willetts (Flag B) deal with the substance. This minute suggests the way forward on handling.

The Chancellor's tactic is clear. He wants your general endorsement of the draft so that he can then tackle Mr Fowler, who has some considerable interest on the poverty and unemployment trap aspects. Above all, the Chancellor wants to avoid discussion of the Green Paper in Cabinet Committee, reflecting the traditional Treasury (and to some extent justified) obsession of "putting tax matters into commission".

How then to proceed? I suggest that:

- you convey to the Chancellor your first reactions on the draft, but make it clear that you have not had, and will not have before CHOGM, time to consider it fully. You cannot therefore be committed as to substance;
- the politics of the Chancellor's approach are clearly very sensitive. He therefore should show the draft, on a bilateral basis, to say, Lord Whitelaw, Mr Tebbit and Mr Brittan, (in his capacity as a former Treasury minister) so that they (ie. not filtered through the Treasury) can let you have their advice on politics and presentation. At the same time he can pursue his discussions with Mr Fowler. All this should be done in time for further reports to you after CHOGM.

The Chancellor won't like this. But you should point out that the alternative is for the Green Paper to be considered in Cabinet Committee. He will like that even less.

Of course, if you are fundamentally opposed to the Green Paper's approach of transferable allowances between husband and wife (or more accurately between wife and husband) you should say so now so that the Chancellor can go back to his drawing board.

N. L. W.

N L WICKS

27 September 1985

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PRIME MINISTER

*In following piece - PREM 19/1/709
J. Gray
4/11/14*

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... I enclose a draft of the promised Green Paper on Personal Taxation. This is still rough at some of the edges (and I would like to think further about the charts), but it is virtually complete, save for a Foreword that I will write later.

As you will recall, I announced that we would be issuing the Green Paper later this year in my Budget speech in March. (I attach the relevant extract.) The announcement attracted a great deal of interest, which continues to persist, and most of the comments so far have been very favourable; at least so far as transferable allowances are concerned. There may be some disappointment that we do not propose to go further, and integrate either the tax and benefit systems or the tax and national insurance systems; but the Green Paper explains very clearly why we are not persuaded.

When you have read this draft, you will obviously wish to discuss it with me. I would then like to consult Norman Fowler on a bilateral basis. I very much hope it will be possible to publish this Autumn.

N.L.

27 September 1985

*Needs before
its content
was known.*