

PRIME MINISTER

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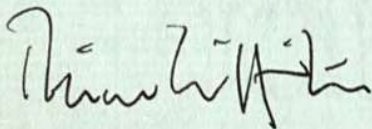
PERSONAL TAX GREEN PAPER: SOME QUESTIONS

1. Is the Green Paper about tax reform or tax cutting? A tax reform Green Paper should give various illustrative costings of fully transferable allowances, ranging from a large cost to zero.

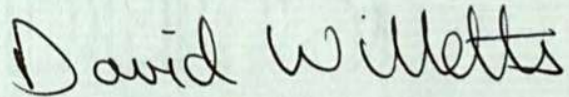
The Budget should be prudent, so as to strengthen City confidence. Is a Green Paper promising tax cuts in the medium term compatible with this?
2. Can the Green Paper be made genuinely Green? Why not discuss alternative ways forward such as cutting the basic rate of tax, raising existing thresholds, or introducing a family tax allowance like the old child tax allowance?
3. How many low-paid single people and one-earner couples would be taken out of tax? What could be the effect on unemployment?
4. What is the woman's angle? The Green Paper would give more generous tax treatment to couples with young children when the wife may wish to stay at home. Women would also get complete independence in their tax affairs if they wish. But the tax treatment of working wives would be relatively less generous.
5. What are the overall effects on two-earner couples? Some gain - if the woman's earnings are below the tax threshold, if they

have already elected for separate assessment, if the wife has an investment income that can now be treated separately. Others do not gain from the overall reduction in the tax burden.

6. What are the implications for the next two Budgets?
7. What are the administrative savings for tax collectors and taxpayers if the Chancellor simplifies income tax?



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