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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
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15th January 1986**REFORM OF PERSONAL TAXATION**

I would like to raise a couple of issues with you before we meet to discuss the Green Paper on Thursday.

I share your view that a system of transferable allowances would be desirable. It would remove distortions in the tax system which at present is biased against single earner families and discriminates against women. But I do have some doubts over the proposed implementation of the system.

The condition that there should be no losers in cash terms is not one we have applied in other areas, such as social security benefits. I am not myself convinced that it should be adopted for the reform of personal taxation.

I also share Norman Tebbit's doubts over revealing such a large potential tax giveaway. The ability of the Government to provide tax reductions on this scale should be specifically linked to responsible wage settlements and firm control of public spending. It would be helpful if the Green Paper could say more about the scope for actually making tax reductions.

At the same time, I particularly welcome the importance you attach to benefiting those groups most affected by the poverty and unemployment traps. As you know, I share your concern over incentives and unemployment. It would be helpful if you could indicate how much of the cost of the Green Paper goes towards helping those affected by the unemployment trap.

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Finally while I recognise that transferable allowances are a desirable step of fiscal reform, I would put much more emphasis on concentrating the benefits of reducing taxes on the low paid. We should be aiming to release the low paid from tax altogether and should look at radical ways to achieve that aim.

I am copying this to the Prime Minister, Willie Whitelaw, Norman Tebbit, Norman Fowler, John Wakeham and Sir Robert Armstrong.

*Paul,
Norm*

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