

MR NORGROVE

26 February 1986

PERSONAL TAX GREEN PAPER

At the last meeting on the Green Paper, Norman Fowler asked the Chancellor to add a paragraph on a Family Tax Allowance. A Family Tax Allowance is not a stupid idea. But the Chancellor threatened that he would rather not have a Green Paper at all than have one including the offending paragraph. So the meeting went against Norman Fowler, and he will now be raising the issue at Cabinet tomorrow.

The problem now is to avoid an acrimonious dispute. The Chancellor can win tomorrow, but at a double cost:

- The DHSS are likely to brief the press against the Chancellor, and thus weaken the impact of his Green Paper on Budget day.
- Floating the idea of a Family Tax Allowance may make it easier to hold Fowler to politically difficult cuts in the real value of Child Benefit.

Would the Chancellor therefore be prepared to consider some even more innocuous form of words which might just say that "there are, of course, other ways of changing the tax system which would particularly help families. If the main argument for fully transferrable allowances is thought to be distributional, then these other options - such as a Family Tax Allowance - would merit further consideration."

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