

PRIME MINISTER

TAX RELIEF FOR RELOCATION

When you saw the Chancellor yesterday you urged him to reconsider his proposal to remove tax relief from employers' contributions to employees' additional housing costs where an employee has been compulsorily moved by his employer to a more expensive area.

The Treasury letter at Flag A sets out the position more fully. Your main concern was on the potential adverse effect on public sector employees; but it now emerges that, because the present relief is only available when a person is moved by his existing employer, there will be no change in the position faced by teachers and policemen. Civil servants, and possibly a few health authority employees, are the only public sector groups affected.

You will also see from the second Treasury letter (Flag B) that the Chancellor suggests that pressing ahead with the change on housing costs would enable him to include in the Budget a further measure of benefit to corporate businesses, in particular to farmers, while keeping within the overall envelope agreed for 1990-91. *I must say I would be surprised if the authorities worked out quite as precisely as this!*

Are you content to let the Chancellor proceed with the housing costs proposal on the basis now described?

or

Do you still wish to question this?

Yes. The argument the Chancellor uses is a false one.

Recg.

PAUL GRAY

3 March 1989

There will be many occasions when a promotion will require a removal from say the North to a head office in London or elsewhere in the S.E. etc. If the Chancellor has his way, this will be

inherently impossible without some help.

Present concerns will be enormous.

BUDGET CONFIDENTIAL

The reluctance at cancellation of a £100m is hardly if it is as much as £100m