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PROPOSAL TO WITHHOLD TAX ON INTEREST ON BANK DEPOSITS

In the context of possible measures to deter inflows, the fertile mind of Ken Couzens has apparently come up with an idea that tax at the standard rate should be withheld by banks on interest payments on their deposits. Legislation would obviously be required. Lawrence Airey has been informally consulted and apparently has not put an absolute ban on the exploration of the subject. Ryrie has now asked me whether we could have a preliminary look at the proposition and see whether there would be any value in going into it in more detail.

Among many questions that spring to mind the first would be whether one could distinguish between resident and non-resident deposits. If not, it would seem an enormously complicated and irritating measure for the achievement of its stated end. But even if non-residents could be identified and treated separately, there might be problems of avoidance through making deposits overseas. Doubtless there would be many other difficulties. It would be useful to have some quick reactions so that the operation can be killed rather quickly - unless it does appear to someone that it might be worth serious consideration.

Cwm

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