Hunt

CRD.

Conservative Research Department

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Director: PETER CROPPER

3 May 1983

Dear Derek

You will no doubt have seen the attached Sunday Times front page report on rating reform, quoting a letter from your office. I wonder if you think it would be sensible for us to have a copy of this letter for guidance in dealing with correspondence on rating reform? If so, would you be so kind as to let me have a copy?

Yours sincerely

Tony Hutt

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TH/TK

says Stern

Hitler in his personal diaries.

is planning to publish extracts from the Diaries ... balance of probability, they are shown not to be authentic.

Thatcher gives rates reform major push

by Michael Jones, Political Correspondent

MRS THATCHER has decided to override Whitehall and ministerial opposition and make rates reform a major theme in the Conservative general election campaign. Ministers confirmed last night that the decision will be taken soon on whether to replace the present system of local government rates by either a local sales tax or a "poll tax" levied on all voters or income earners.

The prime minister last week authorised a written Downing Street promise to the National Union of Ratepayers Associations assuring it that reform plans were imminent.

"The government remains determined to achieve fair, effective and lasting reforms. We are now in the final stages of preparing our proposals and we shall announce them shortly," Thatcher's private office wrote to the ratepayers union.

Rates reform, a long-running topic and the subject of much inconclusive study, would provide Mrs Thatcher with a new policy element in an election manifesto admitted by ministers to be based largely on "the same as before" appeal.

Another manifesto theme being worked on to add novelty to the Tory mixture is a new push towards transferable pensions, a move Sir Geoffrey Howe, the chancellor, is backing.

Manifesto drafts have already been seen by Thatcher and senior colleagues. The rates reform bid, however, has proved to be the most difficult to resolve, and government sources hold conflicting views on the outcome.

One closely involved source said last night that the decision on sales tax versus poll tax could still go either way. "We're determined to be effective and not to create bigger problems," he said.

Another view was that a sales tax was ahead, an outcome in line with Thatcherite policy of switching the burden of taxation to indirect taxes. Tory opponents of the sales tax reply that it would be unworkable in Britain because of the ease of shopping in local government areas where a sales tax would be lower.

The Downing Street letter to the ratepayers accepts that there is no clear consensus on the best way of reforming the rates but confirms that a poll tax is still in the running.

Referring to the last round of consultations about proposals to transfer fire services and education costs to national government and to raise local finances by taxing people rather than property, the Downing Street letter adds:

"We also have very much in mind the problem of the elderly and others living alone, perhaps on fixed incomes, who may be paying as much as other householders with several earners and yet make far fewer demands on local authority services."

The complexity of fulfilling

continued on page 2

Mortgage holders get £200m tax bill

by David Lipsey

BRITAIN'S 5.6 million mortgage holders face an unexpected £200 million tax bill this year. The new levy, to repay excessive mortgage tax relief given last year, is now hitting wage packets, reducing consumer spending and thus holding back economic recovery.

News of the surprise clawback emerged last week with the publication of a letter from Nicholas Ridley, the Treasury financial secretary, to all MPs, explaining recent changes in income tax.

The letter followed a deluge of complaints to the inland revenue by taxpayers querying an unexpectedly sharp drop in their take-home pay in April. However, the scale of the clawback became clear only on Friday, when the Treasury confirmed to The Sunday

to 12 per cent in August last year, and again from 12 per cent to 10 per cent in November. However, the inland revenue decided to delay adjusting PAYE codes to claw back the excess until the 1983/4 financial year. So it was April before the taxpayer felt the effects.

They are quite substantial. On average, it will cost everyone with a mortgage about £36 extra in taxes this year to repay last year's excess. For a taxpayer with the average new mortgage last year of £16,000 and average gross earnings of nearly £190 a week, the increased tax will be £1.50 a week.

For a single person with a new mortgage, the repayments will more than cancel out the

The revelation that £200 million is involved in the clawback was last night causing many City economic forecasters to rein back their assessment of the likely pace of economic recovery next year. It means that in the last financial year, consumers were given £200 million extra to spend, artificially boosting demand. There will now be a corresponding reduction.

The net downward swing in spending power this year compared with last is about £400 million. This is equivalent to 0.2 per cent of consumer expenditure.

Allowing for "multiplier" effects, whereby less spending in one part of the economy leads by a chain reaction to less spending in other parts, this could reduce economic growth this year by ¼ per cent over

Royal outing: the Queen in Newm… she opened Britain's first horse raci…

Palace no… war with …

by James Tucker

MICHAEL SHEA, press secretary to the Queen, yesterday attacked some national papers – but not by name – for publishing false stories about the Royal Family and for invading their privacy. He told the Guild of British Newpaper Editors, in Cardiff, that errors and distortions occurred.

"I could keep you here for hours simply retelling the number of fairy stories and vital statistics – of a variety of delightful sorts – that were, for

Anne and Andrew

example, put forward as 'news' during Prince Andrew's recent much publicised visit to the West Indies", he said. "I hope some papers thought they got