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PART A

BUDGET PRESS NOTICES
1983

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PO -CH /GH/0016
PART A

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

17/3/82.

Dear Jill

I enclose some briefing on the Police Bill. This consists of

(i) the press notice issued on introduction. Please disregard what it says about detention (Part IV) since the Government amended this substantially in Committee — see

(ii) a note about Part IV dealing with NCCL criticisms; and

(iii) a note about NCCL criticisms of the proposed powers of entry, search + seizure.

The main points to make are;

— It is vital that the police have effective powers to investigate crime and apprehend offenders;

— existing powers are in many cases archaic and in a muddle;

— the Bill does not represent a move towards the "Police State". Its proposals are balanced, moderate and include many checks on the powers of the police.

— the proposals were put together after wide ranging consultations, and Parliamentary discussion of the Bill has resulted in a number of important amendments — for example the new Detention scheme.

Yours sincerely

Colin Walter

Home Office

(i)

NEWS RELEASE

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November 18, 1982

GUIDANCE NOTE

POLICE AND CRIMINAL EVIDENCE BILL

The Police and Criminal Evidence Bill, published today, will modernise and clarify the powers of the police while simultaneously providing appropriate safeguards for the citizen. It will make a number of reforms to the law of criminal evidence; introduce improved procedures for handling of complaints against the police; and give statutory backing to arrangements for consultation between the police and the community.

STOP & SEARCH

Part 1 contains provisions on police powers of stop and search based on the recommendations of the Royal Commission on Criminal Procedure. The power to stop and search persons and vehicles on reasonable suspicion for stolen goods, which is at present available only in London and in certain other areas, will be extended throughout England and Wales.

There will also be: new powers to stop and search on reasonable suspicion for offensive weapons, house-breaking implements and other articles used in connection with theft or offences of obtaining property by deception or taking motor vehicles without authority. (The possession of these articles in a public place is already an offence.);

new safeguards which will apply not just to the new powers but also to all existing statutory powers of stop and search (eg those under the Misuse of Drugs Act 1971);

and a provision obliging a police officer making a search to identify himself, state the purpose of the search and, if asked, his grounds for carrying it out. He will also have to make a

written

record of the search either on the spot, or if it is impossible to do so, as soon as practicable afterwards. In either case a copy of this record will be available to the person concerned on request;

there will also be stricter controls on road checks. Unless set up for road safety or vehicle excise purposes they will normally require the authority of a senior officer;

statistics about the use of stop and search powers and road checks will have to be published in Chief Constables' annual reports.

POWERS OF ENTRY, SEARCH & SEIZURE

Police powers of entry, search and seizure are dealt with in Part II.

It will: set out the circumstances in which the police may enter premises in order to execute an arrest warrant, restate in a statutory form the common law powers of entry already available to the police;

provide the police with new powers to obtain evidence of serious arrestable offences. Magistrates will be empowered to issue warrants authorising the police to search premises for such evidence;

provide a separate procedure for .. evidence held on a confidential basis by a third party. Under this procedure a circuit judge will be empowered to issue an order requiring the production of the evidence to the police or, exceptionally, a search warrant;

clarify the power of the police to enter and search without a warrant the premises of a person arrested for an arrestable offence for evidence relating to that or connected offences;

build new checks into the search warrant procedure and state precisely the powers of the police to seize articles of evidential value found during the course of a lawful search.

ARREST

Part III introduces a new simplified scheme of arrest. It will retain the existing category of "arrestable offences" (defined in the Criminal Law Act 1967 as offences carrying statutory liabilities to at least 5 years imprisonment) and add

to it certain offences which need but at present lack a power of summary arrest. All other offences will carry a power of arrest if, but only if, certain statutory conditions are satisfied: it is impracticable to prosecute him by way of summons or if immediate arrest is necessary to prevent harm or terminate a public mischief. As a consequence of this general provision, statutory powers of arrest for offences which are not "arrestable offences" are repealed.

DETENTION

A new statutory scheme governing detention in police custody is introduced in Part IV, to replace section 43 of the Magistrates' Courts Act 1980. Under the scheme detention will be lawful only if specified detention conditions (similar to the Royal Commission's 'necessity principle') are satisfied. A designated uniformed officer at each police station will have overall responsibility for the detention and treatment of persons detained after arrest.

The need for detention will have to be reviewed at regular intervals.

- detention without charge will normally be limited to a ~~mi~~maximum of 24 hours;
- detention beyond 24 hours and up to 48 hours will require the authority of a single magistrate, and beyond 48 hours the authority of a full magistrates' court;
- there would be an absolute limit on detention without charge of 96 hours;
- before authorising detention a magistrate or a magistrates' court would have to be satisfied that the offence under investigation was a serious case of an arrestable offence and that the relevant detention condition was satisfied.

TREATMENT, QUESTIONING AND IDENTIFICATION.

Various aspects of the treatment, questioning and identification of persons suspected of crime will be regulated by Part V.

It places: the power to search arrested persons on a statutory basis and introduces special restrictions on searches of intimate parts of the body;

it entitles detained persons to have access to legal advice and to have somebody notified of their arrest and whereabouts, and defines the

circumstances in which the exercise of these rights may be delayed;

it empowers the police to take fingerprints and non-intimate samples without consent in certain circumstances

it provides for the destruction of fingerprints and body samples if the suspect is subsequently cleared.

Part VI empowers the Home Secretary to issue, subject to Parliamentary agreement, codes of practice on the detention, treatment, questioning and identification of persons suspected of crime. Draft codes of practice are also published today (copies attached).

EVIDENCE

Reforms in the law of evidence in criminal proceedings are provided for in Part VII. Rules governing the admissibility of confessions are introduced in place of the relevant provisions in the Judges' Rules, which are to give way to the code of practice on the treatment and questioning of suspects. Under the provisions of the Bill, a confession will be automatically excluded if obtained following oppression (including the use of extreme methods such as violence, torture, or inhuman or degrading treatment) or if obtained in consequence of anything said or done which, in the circumstances, was likely to render a confession unreliable. In addition, certain reforms are proposed to streamline the work of the courts or clarify the law. These are based largely but not exclusively on recommendations of the Criminal Law Revision Committee's Eleventh Report on Evidence. The Bill provides for the admissibility of microfilm copies, computer and other documentary evidence; sets down a modernised procedure for proof of convictions and acquittals; clarifies and extends the present law on when the accused's spouse must give evidence and when he or she may; and provides for rules to be made requiring advance notification of expert evidence in Crown Court cases.

POLICE COMPLAINTS & POLICE/COMMUNITY CONSULTATION

Part VIII introduces new procedures for handling complaints against the police as described in the White Paper (Cmnd 8681) published on 19 October; requires arrangements to be made in each police area for obtaining people's views on policing and their co-operation in the prevention of crime (as recommended by Lord Scarman's report) and makes various other miscellaneous provisions.

Part IX contains supplementary provisions.

E.R. (ii)

NCCL MEMORANDUM ON PART IV OF THE POLICE AND CRIMINAL EVIDENCE BILL: COMMENTS BY MR. PATRICK MAYHEW, MINISTER OF STATE, HOME OFFICE

Introduction

This note comments on the memorandum on Part IV of the Police and Criminal Evidence Bill circulated by the National Council for Civil Liberties.

Comparison of the present position and the Government's proposals

The memorandum acknowledges that the present law on detention, as contained in s.43 of the Magistrates' Courts Act 1980, is unsatisfactory. But it does not adequately explain how unsatisfactory it is; and the comparison it makes between the present law and provisions of the Bill is therefore misleading.

The present law provides that if a person is detained on suspicion of an offence which appears to the police to be a serious one, he need not be brought before a court within 24 hours. It is only necessary that he should be brought before a court "as soon as practicable". The expressions 'serious' and 'as soon as practicable' are not defined.

Although the memorandum suggests that 'as soon as practicable' places a limit of about 48 hours on detention in the case of the more serious offences, this has no statutory basis. The memorandum cites the case of Sherman and Apps in which the Divisional Court held that detention for more than about 48 hours could not be justified [1981] Crim LA 335. But in the subsequent cases of Steel [1981] 73 Cr App R 173 and Nycander (reported in The Times of 9th December 1982) the Court of Appeal held that there was no rigid rule as to the maximum period of detention. The fact is that the police, in exceptional cases, detain persons for considerably longer than 48 hours at present, and this has not been held to be unlawful. Indeed, even Sherman and Apps (on which the memorandum relies) exempted exceptional cases from the 48 hour rule which it postulated. A survey of cases over 3 months in the Metropolitan Police District in 1982 revealed 3 instances of detention for 96 hours.

So the statement in the memorandum that the period between arrest and court appearance may at present not exceed around 48 hours is not an accurate account of the present law. It follows that it is false to claim, as the memorandum does, that the Bill greatly extends the maximum period of detention allowed.

E.R.

Nor does the memorandum give proper weight to the fact that 'serious', as it occurs in the 1980 Act (this part of which has remained little changed since the Summary Jurisdiction Act 1879), is a purely subjective term. Under the present law the police may retain a person in custody for more than 24 hours for offences even though they are not arrestable offences (as defined in s.2 of the Criminal Law Act 1967 i.e. broadly, offences carrying a liability of 5 years' imprisonment or more, even though they are not even imprisonable offences. They may do so provided only that the offence concerned appears to be serious. In contrast the Bill provides a 24 hour limit on detention before charge in the case of all offences except serious cases of arrestable offences. The Government has already undertaken to revise the definition of 'serious arrestable offence' to provide that the test of seriousness shall be objective, and so subject to review in the courts.

To summarise, the present law provides for a large number of suspects to be detained for more than 48 hours without having to appear before a court, and so without having to be charged. Under the Government's proposals no person may be detained without charge beyond 24 hours unless he is one of a relatively small number of persons suspected of a serious arrestable offence in which case he must be brought before a magistrates' court within 36 hours if further detention in advance of charging is desired.

In formulating Part IV of the Bill the Government have sought to strike the proper balance between the interests of society in securing the prosecution and conviction of offenders and the rights and liberties of the individual.

The memorandum queries various aspects of these proposals. In particular it queries the provision in the Bill for the detention clock to run from the point of detention (rather than arrest), and to stop at the point that a suspect is charged (rather than brought before a court). It also queries the need for a maximum period of detention as long as 96 hours.

As noted above, the present law dates back well into the last century. The police then had only the most rudimentary responsibilities for investigating offences (as opposed to apprehending offenders). The courts repeatedly held that the police should not question those they had arrested (cf R v Knight and Thayer /1905/ 20 Cox cc 711; R v Booth and Jones /1910/ 5 Cr App R 177). Questioning was a matter for the courts. The expression "as soon as practicable", which has been discussed above, was never intended to cover the questioning of suspected persons or the accumulation of evidence by the police. But times have changed, as have the duties of the police and public expectations of the police. The governing statute has not materially changed; but the courts themselves have sensibly interpreted it so as to meet these changed expectations, and to permit detention for questioning, or for other means of converting the

reasonable suspicion which is sufficient for an arrest into a prima facie cases, under the "as soon as practicable" umbrella. But the expression was intended to cover other contingencies altogether, such as the unavailability of courts over a weekend or travelling difficulties.

The purpose of this brief historical excursion is to bring out the fact that the present law is obsolete, because it does not properly recognise that the police are now expected to investigate offences and charge offenders. Since the police in 1879 were supposed to do no more than bring those whom they had detained before the courts, it is natural that the law on detention should have been written in terms of detention pending production in court, rather than detention pending charge.

But although the police station charge has no statutory significance, it is of great importance. The Royal Commission recommended, and the Government agreed, to make the time limits on detention run to the point of charge, because this marks the end of the investigative phase of custody, after which the suspect's status changes. He may not ordinarily be further questioned about the offence concerned; and delay in allowing him to exercise various rights, such as the right to legal advice, is no longer permitted.

The memorandum is correct to say that in some cases further detention will be necessary before a person who has been charged can be brought before a court. But the continuation of detention will be subject to the detention conditions set out in Clause 25 of the Bill (whereas police bail after charge is at present at the discretion of the police). And in preparing its proposals the Government has posed this question: how much time should the police be allowed to detain a suspect in order to investigate his alleged offence? They cannot question him after charge; the investigation must in practice be complete by then.

As to the time at which the detention clock starts, the Bill provides for this to be the time of arrival at the police station, rather than the time of arrest, because in practice in the great majority of cases there is little difference between the two and because there will be less scope for disputes about the time at which detention is reckoned to commence. Although the Royal Commission recommended that time spent in travelling, and escorting the suspect from one station to another, should be discounted, the Bill provides that the starting of the detention clock shall be delayed for such reasons only where the suspect is arrested by one force on behalf of another (and where no enquiries are undertaken by the arresting force), and that once the "clock" has started it shall run without interruption.

E.R.

The memorandum is misleading in its treatment of the Writ of habeas corpus in the context of the Bill. The Bill does not make it "virtually impossible" for a detained person to make a successful habeas corpus application. It will be open to anyone detained to apply and to succeed on the grounds that the procedures prescribed by the Bill have not been followed, or that the prescribed detention conditions are not satisfied in this case. By requiring the compilation of a running custody record the Bill greatly reduces the scope for conflict on the facts.

The main point here is that it is unsatisfactory that habeas corpus, which is not a very serviceable remedy in this context, should be the sole safeguard against misuse of the power of detention before charge. There should be separate opportunity for independent judicial review of detention. This is what for the first time the Bill provides - while keeping habeas corpus too.

The position in practice

The Royal Commission's own research showed that the great majority of suspects are detained for short periods. Three quarters of all persons are dealt with within 6 hours, and 95% within 24 hours. A recent survey (August to October 1981) of detention in the Metropolitan Police District showed that of 83,000 people detained at police stations in these 3 months less than 2% were detained without charge for more than 24 hours. Only 29 people were detained for longer than 48 hours, and the longest period of detention was 96 hours (3 cases).

These statistics show that the police do not resort to extended detention lightly or other than in exceptional cases. There is no reason to believe that the Bill will result in a change for the worse; indeed, the introduction of custody and review officers, applying statutory criteria governing detention, should ensure that this does not happen.

The memorandum obscures the point that whereas the present law empowers the police to detain a person without charge virtually for as long as is necessary, the Bill places limits on detention and that it is only in exceptional cases that these limits will be in practice be reached. It is, however, necessary to ensure that the law provides for these exceptional cases, subject to contemporaneous judicial review: and the Government's proposals provide for the latter by means of inter partes hearings.

E.R.

The memorandum is sceptical about the need to provide anything like 96 hours for exceptional cases. The annex to this note provides details of some cases. These cases were cited in the written evidence given to the Royal Commission by the Commissioner of Police of the Metropolis. It will be seen that the 96 hour period in the Bill would have required the police to have concluded their enquiries earlier than they did in some cases; and the Government had to give careful consideration, in preparing its proposals, to whether 96 hours would always be a long enough period or whether the period of detention should remain, as the Royal Commission proposed, open-ended. The Government concluded that a fixed upper limit was desirable in the interests of certainty; but these cases do show that 96 hours is not too long.

The law in certain other jurisdictions does not alter this fact; and it is of interest that the memorandum is highly selective in its references. But of course international comparisons, whether favourable or unfavourable to the Government's proposals, must be treated with great caution in view of the different arrangements for the investigation, prosecution and trial of offences in different countries. This is particularly true of Scotland, where, as the Royal Commission noted, arrest must be followed immediately by charge and where the law of evidence places very strict limits on the questioning of suspects.

Finally, the risks of false confessions. The Government fully acknowledges these risks. But it is necessary to weigh all the measures proposed by the Government which bear on this question; in particular, the detailed provisions of the draft code of practice on treatment and questioning; the establishment of a statutory right to legal advice; the field trials of the tape recording of police interviews; and, not least, the provisions of Clause 60 of the Bill excluding confession evidence in the obtaining of which oppression, or anything said or done which was likely to render it unreliable, cannot be disproved by the prosecution beyond reasonable doubt.

Conclusions

The Government's view is that the proposals contained in Part IV of the Bill constitute an important advance on the present law, by providing unambiguous authority for the police to detain a suspect, in the most serious cases, for sufficient time to enable the necessary enquiries to be completed, subject to the independent scrutiny of the magistrates and to strict statutory criteria. The Government is satisfied that provision should be made for those exceptional cases in which a period of detention of up to 96 hours is necessary.

APPENDIX TO CHAPTER III

Examples of cases where appreciable delay occurred between arrest and charging

(1) CR 201/76/265

On 20th January, 1977 at 1 p.m. a man was arrested in connection with a number of offences of burglary, theft and criminal deception and taken to a police station. He readily admitted a number of these offences but because he was suspected of being responsible for the murder of a bank clerk during a robbery the previous year he was transferred to the police station where that murder investigation was being conducted. He was questioned on 21st January about the murder but denied being involved. Shortly after that interview he attempted to commit suicide and was conveyed to hospital. He was returned to the police station on 22nd January but was not fit to be interviewed. On 23rd, 24th and 25th January he was interviewed on six separate occasions during which interviews he put forward various explanations of his movements on the day of the murder. These explanations required numerous enquiries to be made which involved tracing a number of persons in the country areas of Hampshire. Following a visit from his wife on 26th January he admitted his responsibility for the death of the bank clerk. Following his admission a considerable amount of time was spent during the next twenty-four hours to test the veracity of his

admission and in particular to recover the murder weapon from the river where he had thrown it. He was charged with murder at 4 p.m. on 27th January, i.e. 7 days 3 hours after his arrest. Twenty-four hours of that delay was caused by his suicide attempt, the remainder of the delay was occasioned partly by the need to check the untrue information he supplied about his movements on the day of the murder and partly to check the accuracy of his subsequent admission to the murder. At his subsequent trial he was convicted of murder.

(2) CR 202/77/514

In January, 1977 police arrested five men suspected of being involved in four armed bank robberies. At the same time or very shortly afterwards a further ten persons were arrested on suspicion of complicity in the robberies so that police had a total of fifteen persons in custody. It was necessary for all persons arrested to be questioned at length by police by several interviewing teams of officers. Those interviewing teams held conferences at regular intervals to assess and pool the results of their questioning and then to re-question the arrested persons as a result. Because of the number of persons arrested and the complexity of the offences five and a half days were spent holding a total of sixty-two separate interviews with the arrested persons and identification parades in respect of four of them.

In the event five of those arrested were released without being charged, the remaining ten were charged. The maximum period which elapsed between arrest and charging was 5 days $8\frac{1}{4}$ hours (except for one man who was released after 1 day and 13 hours and charged later). Of the ten persons charged six were prosecuted to conviction.

(3) CR 232/75/612

On 14th July, 1975 at 4 p.m., following a four day observation by police three men were arrested on suspicion of handling a large quantity of stolen coffee. The men were not charged until 17th July at 6.25 p.m., a delay of 3 days and $2\frac{1}{2}$ hours. This delay was caused partly because the three men said that they would speak to police only in the presence of their solicitor. This was arranged but entailed a delay of over half a day before the solicitor could attend the station. The interview with the first man was concluded in the presence of his solicitor on 15th July at 8.05 p.m. but the solicitor not unreasonably was not prepared to remain later at the station because of the lateness of the hour. The interviews with the second and third men took place in the presence of their solicitor and were concluded at 7.24 p.m. on 16th July. The men alleged that the coffee was not stolen but was bankrupt stock. It was therefore necessary before the men were charged for police to be satisfied there was evidence to prove that the coffee was stolen. It was

this necessity that in part contributed to the delay because there was no record held by police to indicate from where the coffee had been stolen. Eventually, after patient detective work, the coffee was traced back through wholesalers to a transport firm from which a lorry containing the coffee had been stolen. Armed with this evidence and the other evidence available police were able to charge the three men at 6.25 p.m. on 17th July and the men were convicted at their subsequent trial.

(4) CR 230/75/7097

As a result of police observation for a long period of time a total of fifteen persons were arrested between 1.10 p.m. on 12th November, 1975 and 10.55 a.m. on 14th November on suspicion of being involved in numerous offences of theft and dishonest handling of stolen property. The maximum delay which occurred between arrest and charging was 2 days $4\frac{1}{2}$ hours except for one man who was released after 5 hours and charged later. The delays in this case were occasioned by the number of persons arrested who had to be interviewed so that the results of the officers' observations could be put to them, many of those arrested being interviewed on more than one occasion, and the need to carry out searches at various addresses and recover property; some additional delay was occasioned by false details supplied by one of those arrested. Subsequently

all fifteen were charged and with only one exception all prosecuted to conviction.

(5) CR 201/77/165

On Sunday, 10th July, 1977 at about 10.30 p.m., a fight took place between some youths and two employees of a public house during which one of the employees cut two of the youths with a knife. Police were called and the youths decamped. At about 11 p.m. a barman leaving the public house was attacked by a number of youths and was fatally stabbed. Police were quickly able to trace the staff of the public house in order to discover the background to the earlier fight and were able to trace a number of witnesses to the second fight. In the event, six youths were arrested in connection with the second fight, the first at 7.30 p.m. on 11th July and the last at 10.30 a.m. on 14th July. The maximum period which occurred between the arrest and charging of any of those six youths was 2 days 21 hours. The reason for this delay was partly due to the large number of witnesses who had to be seen and interviewed by police, many of whom had to be re-interviewed several times before the full truth was ascertained; thus, on 11th July, 26 witnesses were interviewed by police, seven of those on two or more occasions, 11 witnesses on 12th July; 12 witnesses on 13th July; and 8 witnesses on 14th July. The six youths arrested in connection with the second fight themselves had to be interrogated, these interrogations lasting in all about ten hours.

In addition the first fight introduced a secondary investigation, albeit on a much smaller scale, which resulted in one of the public house employees being charged with wounding two youths, one of whom was a youth himself charged in connection with the second fight. In the event, five of the six youths arrested in connection with the second fight were prosecuted to conviction, as was the employee of the public house charged with the wounding of the two youths referred to above.

(6) CR 202/76/1068

During the later part of 1975 and the early part of 1976 it was known that a number of young Chinese men were regularly committing robberies against other members of their community in the West End of London. It was estimated that about thirty such offences were committed over a period of three or four months but only about four were reported to police.

On 14th March, 1976 at 11.25 p.m. two Chinese men were arrested in the act of robbery in the West End but their associates escaped. Due to the lateness of the hour little could be achieved until the next day when officers with knowledge of similar previous offences arrived. The whole of the 15th and much of the 16th March was taken up with short interviews of the two arrested men and attempts to trace victims of other offences. On 16th March, between 8.30 p.m. and 11.25 p.m., one of the arrested men made a statement under caution and on 17th March, between 9.30 a.m. and

11.20 a.m., the other arrested man made a statement under caution. Both were charged at 11.55 a.m. on 17th March, i.e. just over 2½ days after their arrest.

On 18th March members of the gang still at large beat up a young Chinese man who resisted an attempt to rob him; the attack was so savage that he lost the sight of one eye.

On 23rd March, 1976 at 12.40 p.m., as a result of information received, police arrested four Chinese men in connection with that attack. Those men were charged at 7.5 p.m. on 26th March with offences of blackmail and causing grievous bodily harm arising from three separate incidents. The delay between arrest and charging in respect of those men being 3 days 6½ hours.

The delay between arrest and charging in both cases was due to the need for each of the arrested men to be interviewed by officers with a background knowledge of the build up to the offences, the language problem in that they spoke English with varying degrees of difficulty necessitating the use of interpreters, and in those cases where a group attack on a single victim was alleged, the need to identify the specific part played by each suspect. In the event all six were prosecuted to conviction.

POLICE AND CRIMINAL EVIDENCE BILL : SEARCH FOR EVIDENCE - CLAUSES 9 AND 10

NOTE BY THE MINISTER OF STATE HOME OFFICE

Introduction

1. The Government is aware there has been concern in a number of quarters about these proposals. In addition, the National Council for Civil Liberties (NCCL) has prepared a memorandum criticising the provisions of Clauses 9, 10 and 14 which is seriously misleading as to the purpose, substance and effects of these provisions. This note replies to the points made to prevent further unnecessary anxiety about the impact of the clauses on individuals and bodies innocent of any involvement in criminal activity.

The existing law

2. There are, as the NCCL memorandum notes, a large number of statutory provisions conferring powers of entry, search and seizure on the police acting under a magistrate's search warrant. The memorandum, which lists only about a third of them, claims that in the case of all these provisions "there must be reason to believe either that a suspected offender is on the premises or that an offence.... is being committed on the premises. In other words, there is a direct relationship between the offence being committed, the owner or occupier of the premises and the power to search". (paragraph 3.2). The suggestion that such provisions never apply to owners or occupiers of premises who are not suspected of crime is incorrect. For example, the police may have grounds to believe that a customer's safe deposit at a bank contains stolen goods. They may obtain a search warrant under the Theft Act 1968, even though there is no suggestion that the bank has done anything wrong. There are many other examples that could be offered, including cases in which the warrant is directed not to the proceeds of crime but to evidence of crime. To take such an example, section 6 of the Criminal Damage Act 1971 empowers a magistrate to issue a search warrant in respect of anything which has been used to commit criminal damage. This might easily be an article which the suspected offender had borrowed from, and returned to, a third party who had no knowledge of the offence.

The case for a new power

3. As the NCCL memorandum acknowledges, there are gaps in the existing law. For example, while, as just noted, there is provision for the issue of a warrant in relation to offences of criminal damage, there is no comparable provision for the issue of a warrant in relation to offences of violence against the person.

E.R.

The reason is simple. The law has developed in a piecemeal way, and as legislation has been introduced powers of search under warrant have been included as considered necessary. In the case of the major offences of violence and dishonesty either there has never been such legislation (the offences remaining at common law); or the basic legislation precedes modern conceptions of the role of the police in investigating crime and the growth of organised crime, and the opportunity has not been taken when offences have been redefined and new offences created to review in a systematic way the investigative powers necessary for effective enforcement.

4. Such a review has now been undertaken, by the Royal Commission on Criminal Procedure. The Commission was persuaded that there was a need for a new power enabling the police to obtain access to evidence of very serious crime. The Commission did not recommend that the power should be limited to specific kinds of crime, because the need is not so limited. Whether the police are investigating a murder, rape, armed robbery or a major burglary or fraud, the institution of criminal proceedings requires evidence of the offence concerned.

5. The principle embodied in existing search warrant provisions is that it is the duty of the police to search for evidence of offences in order to preserve it for production in court, and that where such a search would involve what would otherwise be an act of trespass then a magistrate may authorise it. The basic safeguard is of course the requirement to satisfy the magistrate that a case has been made out. The Bill generalises this principle to evidence of any serious arrestable offence, and provides additional safeguards where the evidence concerned is held on a confidential basis.

6. The provisions of Clauses 9 and 10 are limited to what the Royal Commission characterised as "grave offences" because they are directed principally towards the detection and successful prosecution of professional criminals, who are adept at covering their trail, obstructing the work of the police and, where necessary, intimidating witnesses. In a way it is unfortunate that the Royal Commission and subsequent commentators have given prominence to familiar anomalies such as the absence of any provision in law for the police to obtain a warrant to search for the body of a murder victim or a murder weapon. The absurdity of this position is generally recognised, even though it may in practice give rise to little difficulty. But such examples can focus attention away from cases in which

E.R.

without additional statutory provision, the effective investigation of crime is in practice too difficult at present for the police if they are to protect the public to the degree expected of them. Such cases include serious commercial fraud, where the police frequently can obtain no access to vital sources of information (such as bank records and stock books) in the course of an investigation, and where the preparation of a successful prosecution requires the piecing together of a complex and rapidly changing jigsaw containing many such articles of documentary evidence.

7. But the need for the additional powers conferred by Clauses 9 and 10 is not limited to offences of fraud. It applies equally to serious offences of violence, kidnapping, blackmail, corruption, conspiracy and burglary. Some examples may help. A serious wounding or rape has occurred and the police establish that the person suspected has given blood-stained clothing to a dry-cleaners. The police have in the past experienced difficulty in persuading dry-cleaning firms to part with clothing without the customer's permission. Another example: a burglary at a bank has been interrupted and those responsible have left without taking any cash or valuables. The question of recovering proceeds therefore does not arise, but the police will need to obtain evidence relating to the attempt such as wiring plans of the premises and thermic tools, which are likely to have been rapidly concealed or lodged with other persons.

8. The Royal Commission received and considered a great deal of evidence before making the recommendation on which Clauses 9 and 10 are based; any limitation of the scope of the recommendation would be wholly artificial. It would, of course, be technically possible to construct a provision which applied to a list of offences which are not already covered by search warrant provisions, but this would be an unnecessarily cumbersome and clumsy way of proceeding.

9. It must certainly be acknowledged that the provisions in the Bill could be invoked - as could some of the existing piecemeal statutory provisions - in respect of premises owned and occupied by persons innocent of any involvement in crime unwilling to cooperat with the police. That is not their principal purpose. Whilst most evidence of crime is doubtless held by criminals and their confederates and associates, there will be rare cases, as the Royal Commission found, where a compulsory power is needed even against the former category of person, and should be available to the police before charge.

E.R.

10. It should be noted that existing powers of search under warrant are not restricted by any criterion of the seriousness of the offence under investigation. If a statute empowers a magistrate to issue a warrant to search for evidence of an offence then a warrant may be issued whether the offence alleged is serious or minor. It should also be noted that the concept of a general power of search under warrant for evidence of any offence is not novel, at least so far as other jurisdictions are concerned. In Australia, for example, section 10 of the Commonwealth Crimes Act 1914-1973 authorises the issue of a warrant in respect of evidence of any offence under Australian Commonwealth or Territorial law. In following the line advocated by the Royal Commission the Bill does not go nearly so far as this. It is perhaps a logical weakness in the structure of investigative powers as they would exist under the Bill that a search warrant may be issued in respect of a minor offence of criminal damage (under existing provisions) but not a minor offence of personal violence; but the Government considers additional powers to those contained in the Bill are not required and that existing powers have proved satisfactory in practice and should not be disturbed.

11. The NCCL memorandum contains numerous references to Inland Revenue search provisions, and in particular to the Rossminster case. The powers of the Revenue departments have been under review by a committee under the chairmanship of Lord Keith of Kinkel, whose report, due shortly, can be expected to deal with all the points raised by the Rossminster case. But the questions of what powers should be available for the enforcement of revenue law and what for the enforcement by the police of the general criminal law are distinct. Argument from the facts and judgments in one particular revenue case is not directly relevant to the provisions and new safeguards in the Bill concerning the execution of warrants by the police.

Safeguards

12. Much of the NCCL memorandum suggests that the safeguards contained in the Bill are inadequate, and will fail to prevent the police from undertaking extensive and unjustified "fishing expeditions" involving wholesale searches of confidential records.

13. The memorandum states that the police will obtain search warrants under Clause 9 as a matter of routine, "particularly where [they] want to put pressure on a suspect - for instance, by searching the home of his girlfriend or mother" (paragraph 5.7). The basic assumption underlying this and similar suggestions is that magistrates will not exercise a proper and effective scrutiny of police applications. This assumption overlooked the safeguards contained in Clauses 12 and 15 of the Bill, which are directly based on recommendations made by the Royal Commission to improve the ability of

magistrates to discharge this important responsibility. Clause 9(3) in addition requires the police, when applying for a warrant, to explain the relationship between the evidence sought and the investigation at the stage it has reached. The predictions made in the NCCL memorandum about Clause 9 could not be actualised without a substantial failure on the part of the magistrates. The Bill does not give effect to the Royal Commission's recommendation that in an emergency any search may be authorised by a senior police officer precisely because of the importance attached by the Government to the principle of independent magisterial scrutiny. And the fact that existing statutory provisions conferring authority on magistrates to issue search warrants for evidence of offences have proved generally satisfactory in practice notwithstanding the absence of any restriction to serious cases (as noted above) supports the Government's confidence in the magistrates.

14. The predictions about Clause 10 presuppose a similar failure on the part of circuit judges. The Government does not accept that they lack the necessary qualities of judgment to consider applications under Clause 10.

15. The NCCL memorandum also suggests that Clauses 9 and 10 may be used to enable the police to gain access to premises containing articles of minimal evidential value, remote in the chain of proof from the offence in question and that, once in, the premises may be subjected to a general search in the course of which virtually anything of interest to the police, whether connected with the instant offence, however remotely, or not may be seized.

16. These apprehensions are unjustified. The Bill does not permit a search warrant to be issued in respect of articles which cannot be adduced in evidence in criminal proceedings. Clauses 9 and 10 do not apply, therefore, to articles which may assist the police by providing criminal intelligence but would not be adduced in evidence. Information as such does not constitute evidence. The purpose of the provisions is to secure material for consideration by the courts, and not to promote the investigative capacity of the police as such.

17. As to the suggestion that searches under Clauses 9 and 10 may be directed towards articles which, even though they could constitute evidence, are remote in the chain of proof, the Bill gives effect to the substance of the Royal Commission's recommendation that the new powers recommended should be confined to cases in which the evidence sought is material and substantial, and not merely of incidental value.

Clauses 9(3) and 10(9) both require police applications to explain how the evidence sought would relate to the investigation in progress. These provisions will enable magistrates and circuit judges respectively to discriminate between applications directed towards substantial evidence and any other applications which might be made.

18. As to the suggestion that premises may be subjected to general searches, these are expressly precluded by the Bill. Clause 13(8) gives effect to the Royal Commission's recommendation that a search, in order to be lawful, must be appropriate to its object. The Bill indeed provides that if evidence of other offences is discovered in the course of a search then it may be seized if there is reason to believe it would otherwise disappear, but this is wholly reasonable and amounts to little more than a formalisation of the existing position in law.

Evidence held in confidence

19. The NCCL memorandum pays particular attention to the provisions of Clause 10 which relates to evidence of a serious arrestable offence held on a confidential basis. The Clause provides that where other methods of obtaining this evidence have failed or would be bound to fail a circuit judge may order the production of the evidence to the police. He may not issue a search warrant unless his order has been disobeyed or unless there is reason to believe that if an order were made the evidence in question would then be disposed of. The first point to make is therefore that it is misleading for the memorandum to paint a picture of the police entering, for example, doctors' surgeries and going through patients' notes. Under a procedure analogous to that relating to witness orders, there can be no search unless a circuit judge is satisfied an order to produce the evidence has been or would be disobeyed.

20. The NCCL memorandum claims that Clause 10 "makes a nonsense" of the legal duty of confidentiality which the various professions owe to their clients. This language is unjustified by the provisions of the Bill, which expressly recognises the special considerations which apply to material held on a basis of confidence, and applies a special procedure and more rigorous procedure to such material. The Royal Commission concluded that in certain cases the public interest in

bringing those guilty of the most serious crimes to justice should override considerations of confidentiality, where those considerations would have the effect of enabling important evidence to remain unavailable to the police and therefore to the courts.

21. It is of course true that, once proceedings have been instituted, a court may order anyone who can give relevant evidence to attend court with documents, to do so. But, as the Royal Commission concluded, this does not deal with the case where the evidence is needed for proceedings to be instituted in the first place (leaving aside altogether the possibility of the evidence being mislaid or destroyed in the meanwhile).

22. The NCCL memorandum focuses attention specifically on documents held by lawyers, doctors and those with a pastoral role. This gives a misleading impression of the provisions in the Bill in two respects. First, Clause 10 is directed principally towards articles held in commercial confidence eg by banks and accountants. All professional groups are, however, covered because it is not inconceivable (although unlikely) that the criteria in the Bill would be satisfied in the case of evidence held by, say a doctor, social worker / or teacher; and if any particular profession were wholly excluded from the scope of Clause 10 then this would obviously create a gap in the law which would be exploited. Sophisticated criminals would seek to exploit the advantages to be derived from lodging incriminating articles with a compliant member of that profession.

23. The second respect in which the memorandum misleads concerns its preoccupation with documents and specifically personal records and files. The case of medical records illustrates the point. The memorandum suggests that Clause 10 could and would be used to force doctors to surrender all his records and patients' notes for the purposes of a "fishing expedition ". An example is offered: "....during the Cambridge rapist investigation, it appeared that the man responsible was one of a small minority of men who do not ejaculate on orgasm and it was suggested that a search of local GPs' records would help to narrow down the field of enquiry...Under this Bill, the police could apply to a circuit judge to order the production of all records relating to this particular group of men". But this would obviously constitute a fishing expedition which no judge could be expected to authorise. It is only in rare circumstances that medical records could constitute evidence in the sense required by the Bill.

One example might be where a particular man was suspected of a rape in the course of committing which the assailant was scratched and a little of his blood was found on the woman's clothing. If the blood were of a rare group and the suspect refused to provide a sample of his blood so that a comparison could be made, then the police might need to apply for a order under Clause 10. But whether such an application would succeed would no doubt depend on what other evidence there was against the suspect, and how critical was the evidence sought. And even if the application succeeded the production order would be confined to the relevant part of the suspect's own medical record, and could not extend more widely.

24. In its possible application to doctors Clause 10 is more likely to be invoked in respect of articles such as bloodstained clothing than of medical records or patients' notes. Such clothing might be removed by a doctor treating a man injured in the course of committing an armed robbery, and might constitute vital evidence against him. The Government considers, as did the Royal Commission, that the possibility should not be excluded that a judge could order the preservation of such clothing. The police have experienced difficulty in this respect. The Government of course recognises the important principle that everyone should be entitled to an assurance of confidentiality when seeking medical treatment. But the Royal Commission concluded that the balance of justice might require this principle to be overriden in exceptional cases, and the Government agrees.

25. By concentrating on records and documents the memorandum blurs the distinction between evidence and information. Yet this is important because the provisions of the Bill are confined to what might be used in evidence.

26. This note does not reply on a point-by-point basis to paragraphs 5.10 - 5.26 of the NCCL memorandum, because for the most part, as already noted, the memorandum is based on incorrect assumptions about the propensity of the judicial authorities to license routine fishing expeditions and to issue search warrants rather than orders to produce evidence which involve no search at all. It is, however, necessary to respond to the particular points made in relation to legal advisers.

E.R.

27. The present law of evidence protects from compulsory production in legal proceedings communications between a legal adviser and his client made in connexion with the provision of legal advice and documents brought into being for the purpose of pending or contemplated legal proceedings. This is a rule of evidence termed professional legal privilege. The law on breach of confidence and breach of duty protects other kinds of confidential documents or information (eg medical or pastoral records) against disclosure to third parties; but only one class /of articles is protected against compulsory production in legal proceedings, that is legally privileged articles. Legal privilege does not extend to articles held in furtherance of a criminal purpose (eg where a solicitor advises a client about how to commit an offence). Neither does it extend to articles not brought into being for the purpose of proceedings which are lodged with a legal adviser for safe-keeping or advice.

28. It is the Government's intention that articles protected by legal privilege should fully be protected against seizure or compulsory production to the police under Clause 10, bearing in mind that their production in any subsequent proceedings cannot be compelled. As at present drafted Clause 10 does not entirely secure this purpose. /It is/proposed to amend the Bill to give effect in full to this intention. accordingly

29. The NCCL memorandum asserts that in practice the distinction between privileged and other records is impossible to draw. There is ample evidence to the contrary; and where, for example, a major fraud was suspected and a court ordered the production of trading accounts which had been sent to solicitors for legal advice, there would clearly be no difficulty in producing the accounts but witholding privileged material. The point would assume practical significance only in the exceptional case of a judge issuing a search warrant rather than a production order. It is conceded that the possibility cannot be excluded that, in searching for material which they have been authorised to seize, the police may see material which is protected by legal privilege. But this possibility exists at present, since a solicitor's offices may be searched under warrant under existing provisions (eg for forged documents). The courts have recognised that any search necessarily involves sorting. But the police must act reasonably, and the courts can be relied upon to enforce the requirement in Clause 14(8) that a search may only be a search to the extent required for the purpose for which the warrant was issued. The suggestion in the memorandum that, once in a solicitor's office, the police could with impunity search all files relating to all clients impossible to sustain.

E.R.

30. A most serious misrepresentation results from the omission from the memorandum of any mention of Clauses 10(16) and 14(5) - (7). Clause 10)16) provides that any person served with an order to produce evidence may apply to a circuit judge to have the order set aside. This provision gives precise effect to the recommendation made in paragraph 3.42 of the Royal Commission's report. The memorandum states that : "The Royal Commission proposed that there should be a right of appeal against the issue of a disclosure order. The Bill contains no such right" (paragraph 6.1 (v)).

31. Nor is mention made of Clauses 14(5) - (7). These provide that an article which has been seized may not be retained for investigative or evidential purposes if a copy or photograph is sufficient for those purposes. And where a production order has been issued the holder of the material may of course copy or photograph it before giving it to the police. These provisions recognise the disruption to the conduct of a business or profession that can be caused by the removal of working papers, and protect against it.

H. M. TREASURY

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8 November 1982

NATIONAL INSURANCE SURCHARGE

The Chancellor of the Exchequer announced today proposals for changes in the National Insurance Surcharge rate from next April and in payments in the present year, 1982-83. A Bill will shortly be introduced to provide for these changes.

1983-84

2. From April 1983 the NIS rate will come down from 2½ per cent to 1½ per cent. This will benefit private sector employers by about £700 million in 1983-84. Public sector employers will pay the new rate of 1½ per cent but the savings to them - around £400 million in total - will be offset by reductions in public expenditure programmes.

1982-83

3. In addition, the Chancellor of the Exchequer intends to give further help to private sector employers by bringing forward into 1982-1983 half of the 1 percentage point reduction effective from next April. The result will be broadly as though private sector employers had paid NIS at 2 rather than 2½ per cent on average through 1982-83. It will be worth a further sum of about £350 million in total in 1982-83 for those private sector employers paying NIS in respect of January to March 1983. Public sector employers will not benefit.

4. To enable this reduction to be made, the Chancellor proposes a new and temporary special scheme. This is necessary because individual employers do not make separately identified payments for NIS. And it is now too late in the financial year to follow the usual procedure of issuing each of them with the detailed tables necessary for the calculation of the combined payments of a revised NIS and of National Insurance Contributions.

/5. Next January the

5. Next January the Inland Revenue will issue employers with detailed guidance explaining the operation of this scheme. The employers benefiting will be those paying NIS due in respect of the months January to March 1983. The Inland Revenue will ask them to calculate 3 per cent of their total liability for NIC (including employees' NIC) and for NIS for the months April 1982 to January 1983 and to reduce their February payment of NIC and NIS by this amount. They will also be asked to reduce by 3 per cent the payments due in respect of the rest of the financial year. <u>They should take no action to reduce their payments before they receive advice and instructions from the Inland Revenue.</u>

6. It is necessary under this temporary scheme to bring NIC liabilities into the calculation of the reduction. But the arrangements will be such that NIC contributions, records and procedures will be left intact. The objective is to give approximately the effect of a further ½ per cent reduction to 2 per cent on average for private sector employers in 1982-83. The proposals will achieve this by reducing the NIS payments which private sector employers were expecting to pay in the current financial year by about £350 million.

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212/82

NOTES TO EDITORS

The NIS was introduced in April 1977 at a rate of 2 per cent. It was increased to 3½ per cent in October 1978. In the last Budget it was reduced to 2½ per cent from August 1982. But to make the 1 percentage point reduction effective for the whole of 1982-83 the rate was temporarily reduced to 2 per cent. Without the action now proposed it would have reverted to 2½ per cent from April 1983.

2. The employers who will be eligible to make reductions in their 1982-83 payments are those liable to pay NIS in respect of the months January to March 1983 (NB: payments are made after the end of each tax month, so that in respect of the tax month ending 5 February the payment is due by 19 February). This means that employers who went out of business before the scheme becomes operative will not be eligible for the reduction. This is consistent with the intention of bringing forward into 1982-83 a part of the reduction effective from April 1983.

3. The 1982-83 reduction is designed to be broadly equivalent to a ½ per cent reduction in NIS. But it will not be precisely equivalent to a ½ per cent cut in NIS for all employers. For example, employers with contracted-out pension schemes, and/or employing pensioners, and

/married women who

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PWP

MINISTER FOR HOUSING AND CONSTRUCTION

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gth 6%
Q4 81 / Q4 82
from this.

11 March 1983

Dear Chancellor

In case it is of use for your Budget speech, the Press Notice for construction output in 1982, which will be released at 2.30 on Tuesday 15 March, shows that output increased last year (at constant prices) for the first time since 1978. The increase was 1% over output in 1981.

Yours sincerely

Pamela Szmigin

pp JOHN STANLEY
(Agreed by the Minister and signed in his absence)

Rt Hon Sir Geoffrey Howe QC MP

Mr Wilding
Mr Kemp
Mr Pestell
Mr Allen

Wd hotter
Thank him.

married women who have opted out of paying full rate national insurance contributions, will not do quite as well relatively as other employers paying full rates of NIC. All firms paying NIS will, however, benefit from the scheme. It would have been impracticable to base calculations on NIS payments alone or to introduce different percentages for different circumstances.

4. The self-employed do not pay NIS on their own earnings and so will not be affected unless they are employers. Charities do not pay NIS and so will not be eligible to make deductions under the scheme.

5. Public sector employers will not in practice benefit in either year. This is consistent with the arrangements adopted when the NIS rate was last reduced in August 1982. As happened then local authorities (as defined in Section 143 of the Finance Act 1982) will not be entitled to the reduction in 1982-83. The rest of the public sector will make deductions, but the benefit will be offset by amendments to cash limits and, in the case of the nationalised industries, external financing limits for 1982-83. Similar action will be taken with cash limits and external financing limits for 1983-84 and the Rate Support Grant for 1983-84 will be adjusted.

6. The Chancellor of the Exchequer referred to these measures in his oral statement to the House - see separate press notice.

Department of Employment PRESS NOTICE

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March 15, 1983

PART-TIME JOB RELEASE SCHEME ANNOUNCED

A new scheme to encourage older workers to work part-time in the years before they retire and to provide more part-time jobs for unemployed people has been announced today by the Government.

The Part-Time Job Release Scheme will run from October 3, 1983 to the end of March 1985. It offers a weekly allowance where people change to part-time work and an unemployed person is taken on for the other half of their job. The Scheme is open to men aged 62 to 64, disabled men aged 60 to 64 and women aged 59. By helping unemployed people find part-time work it is expected to have an effect on unemployment of about 40,000 by March 1985 at a gross cost of around £40 million in 1984/85.

The allowance, which will be taxable, will be half the rate of the existing Full-Time Scheme. For married applicants who meet certain specified conditions, the weekly allowance will be £33.60. For others, the allowance will be £27.30.

The Scheme opens for applications on August 8, 1983. Further details will be announced shortly.

The existing Full-Time Job Release Scheme, which is open to the same age groups as the new Part-Time Scheme, will continue until March 31, 1984. From April 1984 to March 31, 1985 the age limit of 62 for men will be raised to 64; women will continue to be eligible at 59 and disabled men at 60.

Commenting on the new Part-Time Scheme,Employment Secretary, Mr Norman Tebbit said today:

"The Full-Time Job Release Scheme which has been running since 1977 is popular with older workers and has resulted in a good many extra jobs for unemployed people.

"I believe that a part-time scheme can be just as successful. It will do two valuable things: First, it will create viable part-time jobs for unemployed

people at better rates of pay than their benefit entitlement and secondly, it will give older people the chance to approach retirement gradually and benefit from a shorter, and perhaps more flexible, working week during their last year or so at work."

NOTES TO EDITORS

1. The Scheme was announced today in the Chancellor of the Exchequer's Budget Statement.

2. Some changes in the Full-Time Scheme were announced at the end of last year and will take effect from April 6, 1983. New leaflets and application forms for the Full-Time Scheme are available in Jobcentres and employment offices. At the end of January 78,000 people were being supported under the Job Release Scheme.

3. The Scheme is open to employed people only.

H. M. TREASURY

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8.11.82

FINANCIAL EFFECTS OF PROPOSED CHANGES TO NATIONAL INSURANCE CONTRIBUTIONS AND NATIONAL INSURANCE SURCHARGE

Attached is the statistical table referred to in Part 3 of the Autumn Statement.

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01-233 3415

211/82

TOTAL PAYMENTS IN 1983-84 BY EMPLOYERS AND EMPLOYERS IN NATIONAL INSURANCE CONTRIBUTIONS AND NATIONAL INSURANCE SURCHARGE

Great Britain (£ million)

	National Insurance Contributions			NI Surcharge	Total	Total
	Employees	Employers	Total Employees + Employers	Employers	Employees + Employers contributions + NIS	Employers contributions + NIS
Contributions in 1982-83*	8071	9249	17320	3157*****	20477	12406
1983-84 increase from increased earnings etc.**	519	395	914	-201 †	713	194 †
1983-84 increase from reduction in rebate ****	182	217	399	-	399	217
Sub-total	8772	9861	18633	2956	21589	12817
1983-84 increase from changes in earnings limits	72	90	162	16	178	106
1983-84 increase from increased rates***	296	271	567	-1063	-496	-792
Total 83-84 changes arising from review	368	361	729	-1047	-318	-686
Total contributions in 1983-84	9140	10222	19362	1909*****	21271	12131

* including NHS, redundancy and maternity funds, excluding shortfall of £400 million (including surcharge).

** including population and employment changes and delayed effect of April 1982 changes.

*** these result from class 1 contributions. A further £33 million should be added for class 2, 3 and 4 contributions (self-employed and voluntary) to give the total of £600 million as the increase in income attributable to the Order and the Amendment (No 2) Regulations.

**** A reduction from 7% to 6¼% in the rebate made to contributions paid for those 'contracted-out' was announced in March 1982. The resultant increase in employers and employees costs is confined to those with contracted out pension schemes.

***** 1982-83 payments will be reduced by £490 million and 1983-84 payments by £70 million below the figures shown here by the decision to bring forward part of the reduction in the 1983-84 NIS rate.

† includes effect of reduction in surcharge rate for Local Authorities from 3½% to 2½% in April 1983, estimated at £137 million approx.

Note: As in previous years, figures in this table are on a receipts basis.

PRESS NOTICE

15 March 1983

OUTPUT AND EMPLOYMENT IN THE CONSTRUCTION INDUSTRY: FOURTH QUARTER 1982

OUTPUT (Tables 1 to 3)

Total output in the construction industry in Great Britain in 1982 was 1% higher than in 1981. Output in the fourth quarter of 1982 was 2% higher than in the third quarter and 6% higher than in the fourth quarter of 1981. These figures are based on the value of construction work (including repair and maintenance) at constant (1975) prices, adjusted to exclude normal seasonal variations.

New work in the public housing sector during the fourth quarter of 1982 was 8% higher than in the previous quarter and 2% higher than the same period a year earlier. New private housing in the current quarter was 15% higher than in the third quarter of 1982 and 33% higher than in the fourth quarter of 1981.

New work in the public non housing sector in the fourth quarter of 1982 was 1% lower than in the previous quarter but 5% higher than the same period a year earlier.

New construction in the private industrial sector in the fourth quarter of 1982 was 5% lower than in the third quarter and 8% lower than in the fourth quarter of 1981. New private commercial output fell by 1% in the fourth quarter of 1982 compared to the third quarter of 1982 but increased by 15% compared to the fourth quarter a year ago.

Repair and maintenance work in the fourth quarter 1982 remained unchanged compared to both the third quarter of 1982 and the fourth quarter of 1981. Repair and maintenance work in the housing sector (including improvement work) fell by 1% in the fourth quarter but rose 2% compared with the same period a year earlier. Repair and maintenance in the public non housing sector in the fourth quarter of 1982 increased by 4% compared to the previous quarter and by 2% on the same period a year earlier. Private non housing repair and maintenance, making similar comparisons, fell by 6% and 8% respectively.

The value in current prices of all construction work carried out in the fourth quarter of 1982 was £5655 million and for the year was £22 billion.

EMPLOYMENT (Table 4)

The estimate (seasonally adjusted) of the index of employees in employment in January 1983 is 2% lower than in October 1982 and 3% lower than in January 1982.

NOTES TO EDITORS

1. The figures for the fourth quarter are provisional.

2. Constant price figures (tables 1 and 2) may be revised in the light of more complete information on the movement of construction prices.

Telephone Nos. 01 212 3492/3/4/5/6
Night calls (6.30 pm to 8.00 am)
Weekends and holidays: 01 212 7071

Public enquiries: 01-212-3434, ask for Public Inquiry Unit

Table 1: CONSTRUCTION OUTPUT[1, 2]
(Table 3 figures converted to constant (1975) prices, seasonally adjusted)

Great Britain £ million

	New housing		Other new work			All new work	Repair and Maintenance			All repair and maintenance	All work
	Public	Private	Public	Private			Housing	Other work			
				Industrial	Commercial			Public	Private		
1979	1,164	1,627	2,063	1,426	1,191	7,470	1,968	1,353	721	4,041	11,511
1980	953	1,289	1,859	1,339	1,213	6,653	2,073	1,443	755	4,270	10,923
1981	607	1,145	1,703	1,074	1,312	5,841	1,851	1,318	664	3,833	9,674
1982(P)	504	1,302	1,742	1,009	1,527	6,085	1,818	1,291	621	3,730	9,815
1979 3	287	411	533	373	300	1,902	498	340	184	1,022	2,924
4	288	415	519	377	301	1,900	498	340	184	1,022	2,922
1980 1	278	384	492	364	297	1,815	516	349	186	1,051	2,866
2	250	319	478	359	303	1,708	522	360	194	1,076	2,784
3	222	309	448	310	297	1,585	543	378	195	1,116	2,701
4	204	278	441	307	315	1,545	492	356	179	1,027	2,572
1981 1	181	290	442	283	325	1,521	461	339	166	966	2,486
2	156	292	402	265	316	1,431	456	326	164	945	2,376
3	142	285	437	264	327	1,454	488	330	172	989	2,444
4	128	279	422	262	345	1,436	447	324	162	933	2,368
1982 1	129	291	436	264	368	1,487	444	316	154	914	2,400
2	123	317	419	250	362	1,471	454	330	160	944	2,414
3	121	323	447	254	401	1,545	461	316	158	936	2,480
4P	131	372	442	242	397	1,583	458	329	149	937	2,520

1. Output by contractors (including estimates of unrecorded output by small firms and self-employed workers) and output by public sector direct labour departments classified to construction in the 1968 Standard Industrial Classification.
2. See note to editors
P Provisional

Table 2: INDICES OF CONSTRUCTION OUTPUT[1, 2]
(Table 3 figures converted to constant (1975) prices, seasonally adjusted and indexed 1975 = 100)

Great Britain

	New housing		Other new work			All new work	Repair and Maintenance			All repair and maintenance	All work
	Public	Private	Public	Private			Housing	Other work			
				Industrial	Commercial			Public	Private		
1979	78.6	105.4	82.2	121.5	92.2	93.4	118.7	110.2	135.6	118.3	100.8
1980	64.3	83.6	74.0	114.1	93.9	83.1	124.6	116.8	142.0	124.5	95.6
1981	40.9	74.2	67.8	91.5	101.6	73.0	111.3	106.7	124.9	111.8	84.6
1982P	34.0	84.4	69.4	85.9	118.3	76.1	109.6	105.1	116.9	109.2	86.0
1979 3	77.4	106.4	84.8	126.9	92.8	95.1	119.8	110.0	138.2	119.2	102.3
4	77.7	107.7	82.6	128.6	93.1	95.0	119.7	110.2	138.6	119.2	102.2
1980 1	75.0	99.5	78.4	124.2	92.0	90.7	124.2	112.9	140.3	122.6	100.3
2	67.3	82.8	76.1	122.2	93.9	85.4	125.6	116.7	145.9	125.5	97.4
3	59.9	80.0	71.3	105.5	92.1	79.2	130.6	122.4	146.9	130.2	94.5
4	54.9	72.1	70.3	104.5	97.7	77.2	118.3	115.4	134.8	119.8	90.0
1981 1	48.9	75.1	70.3	96.5	100.7	76.0	110.9	109.7	124.6	112.6	87.0
2	42.0	75.7	64.1	90.3	97.9	71.5	109.6	105.5	123.6	110.3	83.1
3	38.3	73.9	69.6	89.9	101.2	72.7	117.3	106.8	129.5	115.4	85.5
4	34.5	72.4	67.2	89.3	106.7	71.8	107.4	104.9	122.0	108.8	82.9
1982 1	34.9	75.3	69.3	89.8	113.9	74.3	106.9	102.2	115.8	106.6	84.0
2	33.3	82.3	66.7	85.1	112.0	73.5	109.5	107.4	120.6	110.5	84.6
3	32.6	83.6	71.2	86.4	124.2	77.2	111.2	103.1	119.1	109.5	86.9
4P	35.4	96.5	70.3	82.4	122.9	79.2	110.6	107.3	112.2	109.7	88.3

1. Output by contractors (including estimates of unrecorded output by small firms and self-employed workers) and output by public sector direct labour departments classified to construction in the 1968 Standard Industrial Classification.
2. See note to editors
P Provisional

Table 3: CONSTRUCTION OUTPUT[1] (Current Prices)
by contractors and by the public sector

Great Britain

£ million

	New housing		Other new work			All new work
	Public	Private	Public	Private: Industrial	Private: Commercial	
1979	1,747	2,731	3,285	2,402	1,961	12,125
1980	1,753	2,652	3,785	2,879	2,495	13,562
1981	1,235	2,553	3,796	2,417	2,699	12,699
1982P	1,026	2,895	3,878	2,096	2,967	12,862
1979 3	464	750	917	686	523	3,340
4	471	760	896	702	552	3,381
1980 1	453	678	848	679	544	3,201
2	448	673	979	761	623	3,483
3	445	694	1,002	736	642	3,518
4	408	608	956	704	685	3,360
1981 1	350	594	905	610	659	3,118
2	319	680	928	613	672	3,212
3	302	668	1,023	620	674	3,286
4	264	611	939	574	695	3,083
1982 1	251	583	904	527	689	2,954
2	250	724	966	528	716	3,183
3	256	755	1,045	549	790	3,394
4P	270	833	964	492	772	3,331

	Repair and Maintenance			All repair and maintenance	All work
	Housing	Other work: Public	Other work: Private		
1979	3,242	2,238	1,179	6,659	18,784
1980	4,114	2,871	1,488	8,473	22,036
1981	4,131	2,967	1,458	8,556	21,255
1982P	4,425	3,176	1,483	9,084	21,946
1979 3	844	572	319	1,735	5,075
4	878	610	322	1,810	5,191
1980 1	957	652	334	1,943	5,144
2	997	683	368	2,048	5,531
3	1,111	773	415	2,299	5,818
4	1,049	763	371	2,184	5,544
1981 1	996	744	341	2,081	5,198
2	1,003	719	355	2,077	5,289
3	1,098	758	397	2,253	5,540
4	1,033	746	366	2,146	5,229
1982 1	1,057	762	349	2,168	5,122
2	1,091	792	377	2,260	5,444
3	1,136	797	398	2,331	5,725
4P	1,140	825	359	2,325	5,655

1. Output by contractors (including estimates of unrecorded output by small firms and self-employed workers) and output by public sector direct labour departments classified to construction in the 1968 Standard Industrial Classification.

P Provisional

TABLE 4

CONSTRUCTION INDUSTRY

TOTAL EMPLOYEES IN EMPLOYMENT[1]

(seasonally adjusted)

Great Britain | Index 1975 = 100.0

1974	October	102.4
1975	January	100.3
	April	100.0
	July	100.1
	October	99.7
1976	January	98.8
	April	97.9
	July	96.8
	October	96.5
1977	January	95.3
	April	94.1
	July	93.5
	October	92.9
1978	January	93.0
	April	93.4
	July	93.4
	October	94.0
1979	January	94.7
	April	94.4
	July	95.9
	October	95.6
1980	January	94.9
	April	94.5
	July	93.6
	October	92.5
1981	January	88.5
	April	86.6
	July	83.7
	October	81.8
1982	January	77.6
	April	77.6
	July	77.0
	October	76.7
1983	January	75.1 (P)

1 These estimates exclude self-employed workers. There are certain differences in definition and coverage from the series published by the Department of Employment.

P Provisional

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15 March 1983

THE BUDGET 1983: INCOME TAX - MAIN PROPOSALS AND ILLUSTRATIVE TABLES

In his Budget Statement today, the Chancellor announced increases in income tax allowances and higher rate bands which go well beyond those needed to compensate for inflation over the past year.

2. The Chancellor proposes an across-the-board increase of around 14 per cent in the main personal allowances and in the higher rate thresholds. This is some 8½ percentage points higher than the increase required by the indexation provisions in the Finance Act 1980. The indexed figures are set out in the Annex to this notice and also in an Order made today by the Treasury as required by S.24(9) of the Finance Act 1980.

3. The Chancellor's proposals in detail are as follows:-

(i) main personal allowances

	1982-83 level £	Proposed increase £	1983-84 proposed level £
Single person's allowance (and wife's earned income relief)	1,565	220	1,785
Married man's allowance	2,445	350	2,795
Age allowance (single)	2,070	290	2,360
Age allowance (married)	3,295	460	3,755
Additional personal allowance and widows' bereavement allowance	880	130	1,010

The widows' bereavement allowance is to be extended to cover the year after bereavement as well as the actual year of the husband's death (see separate Inland Revenue press notice for details).

(ii) rates and rate bands

Rate of tax %	1982-83 taxable income £	Proposed increase in starting point £	1983-84 taxable income £
30	0-12,800	-	0-14,600
40	12,801-15,100	1,800	14,601-17,200
45	15,101-19,100	2,100	17,201-21,800
50	19,101-25,300	2,700	21,801-28,900
55	25,301-31,500	3,600	28,901-36,000
60	over 31,500	4,500	over 36,000

(iii) An increase from £6,250 to £7,100 in the threshold for the investment income surcharge.

(iv) An increase from £6,700 to £7,600 in the age allowance income limit.

4. The revenue cost of the main income tax proposals will be some £2 billion in 1983-84 and £2½ billion in a full year: that is some £1.2 billion in 1983-84 and £1½ billion in a full year over the cost of implementing the statutory indexation provisions.

5. Budget tax reductions (including any tax overpaid since 6 April) should be reflected in pay packets on the first pay day after 10 May. The proposed changes in allowances will be worth £2.02 a week for a married man and £1.27 a week for a single taxpayer or working wife when liable at the basic rate only. The effects of the changes on individual taxpayers are more fully illustrated in the tables described in paragraphs 6-10 below.

Illustrative Tables

6. The attached tables 1 to 5 show the effects of the changes in income tax proposed in the Budget on single and married taxpayers at different levels of income. There are separate tables for elderly people benefitting from the increases in the age allowance and in the age allowance income limit. Tables 4 and 5 give the information in the form of weekly instead of annual incomes at levels up to £350 a week.

7. Tables 6a, 6b, 7a and 7b show the weekly net income of single and married taxpayers and families with two children, after taking account of the increases in National Insurance contributions announced in March and November 1982 and in Child Benefit. Tables 6a and 7a are for those paying National Insurance contributions at the contracted-in rate; tables 6b and 7b for those paying at the contracted-out rate.

8. Tables 8, 9a and 9b illustrate the effect of the income tax changes after taking account of the effects of increases in earnings between 1982-83 and 1983-84. Table 8 shows incomes after tax for single people and married men on the strictly illustrative assumption that earnings for 1983-84 rise by 6½ per cent over earnings in 1982-83 (the assumption made by the Government Actuary in his report on the Social Security (Contributions, Re-rating)

Order, 1982. Tables 9a and 9b give figures on the same basis but taking account of changes in National Insurance contributions (for contracted-in and contracted-out) as well as changes in income tax.

9. Tables 10a and 10b include the effect of child benefit for a married couple with two children, and Tables 11, 12a and 12b show changes in the net weekly income of a married couple where both partners are earning.

10. The tables assume that the taxpayer has no reliefs other than his or her personal allowances. They also assume that income is all earned, but the figures are unchanged where the incomes shown (except for wife's income in Tables 11, 12a and 12b) are taken to include investment income not exceeding £6,250 (the investment income surcharge threshold for 1982-83). Except for Tables 11, 12a and 12b, the illustrative tables for married couples assume that the wife has no earned income.

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62/83

ANNEX

MAIN ALLOWANCES AND THRESHOLDS AS INDEXED* IN ACCORDANCE WITH SECTION 24, FINANCE ACT 1980

1. Allowances

	1982-83 level	1983-84 indexed level	1983-84 proposed level
	£	£	£
Single person's allowance (and wife's earned income allowance)	1,565	1,655	1,785
Married man's allowance	2,445	2,585	2,795
Age allowance (single)	2,070	2,190	2,360
Age allowance (married)	3,295	3,475	3,755
Age allowance income limit	6,700	7,100	7,600
Additional personal allowance and widows' bereavement allowance	880	930	1,010

2. Thresholds

(i) Investment income surcharge threshold:-

1982-83 £6,250; 1983-84 indexed £6,600; 1983-84 proposed £7,100

(ii) Higher rate thresholds and bands:-

Rate	1982-83 level	1983-84 indexed level	1983-84 proposed level
%	£	£	£
30	0-12,800	0-13,500	0-14,600
40	12,801-15,100	13,501-16,000	14,601-17,200
45	15,101-19,100	16,001-20,300	17,201-21,800
50	19,101-25,300	20,301-26,900	21,801-28,900
55	25,301-31,500	26,901-33,500	28,901-36,000
60	over 31,500	over 33,500	over 36,000

(*) NOTE Section 24 requires 1982-83 allowances and thresholds to be increased by the same percentage (5.4 per cent) as the percentage increase in the general index of retail prices (RPI) between December 1981 and December 1982; and

(i) in the case of the higher rate thresholds, the investment income surcharge threshold and the age allowance income limit the result to be rounded up to the nearest multiple of £100; and

(ii) otherwise, the increase to be rounded up to the nearest multiple of £10.

TABLE 1

SINGLE PERSONS - INCOME ALL EARNED - ANNUAL FIGURES

Income	Charge for 1982-83		Proposed charge for 1983-84		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	per cent	£	per cent	£	per cent
2,000	130	6.5	64	3.2	66	3.3
2,500	280	11.2	214	8.6	66	2.6
3,000	430	14.4	364	12.2	66	2.2
4,000	730	18.3	664	16.6	66	1.6
5,000	1,030	20.6	964	19.3	66	1.3
6,000	1,330	22.2	1,264	21.1	66	1.1
7,000	1,630	23.3	1,564	22.4	66	0.9
8,000	1,930	24.1	1,864	23.3	66	0.8
9,000	2,230	24.8	2,164	24.0	66	0.7
10,000	2,530	25.3	2,464	24.6	66	0.7
12,000	3,130	26.1	3,064	25.5	66	0.5
14,000	3,730	26.6	3,664	26.2	66	0.5
16,000	4,494	28.1	4,264	26.7	230	1.4
18,000	5,361	29.8	5,026	27.9	335	1.9
20,000	6,261	31.3	5,877	29.4	384	1.9
25,000	8,727	34.9	8,197	32.8	530	2.1
30,000	11,384	37.9	10,697	35.7	687	2.3
40,000	17,231	43.1	16,274	40.7	957	2.4
50,000	23,231	46.5	22,274	44.5	957	1.9

TABLE 1

TABLE 2

MARRIED COUPLES - INCOME ALL EARNED - ANNUAL FIGURES

Income	Charge for 1982-83		Proposed charge for 1983-84		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	per cent	£	per cent	£	per cent
2,500	16	0.7	0	0.0	16	0.7
3,000	166	5.6	61	2.1	105	3.5
4,000	466	11.7	361	9.0	105	2.6
5,000	766	15.3	661	13.2	105	2.1
6,000	1,066	17.8	961	16.0	105	1.7
7,000	1,366	19.5	1,261	18.0	105	1.5
8,000	1,666	20.8	1,561	19.5	105	1.3
9,000	1,966	21.9	1,861	20.7	105	1.2
10,000	2,266	22.7	2,161	21.6	105	1.0
12,000	2,866	23.9	2,761	23.0	105	0.9
14,000	3,466	24.8	3,361	24.0	105	0.7
16,000	4,142	25.9	3,961	24.8	181	1.1
18,000	4,965	27.6	4,622	25.7	343	1.9
20,000	5,865	29.3	5,422	27.1	443	2.2
25,000	8,287	33.2	7,692	30.8	595	2.4
30,000	10,900	36.3	10,192	34.0	708	2.4
40,000	16,703	41.8	15,668	39.2	1,035	2.6
50,000	22,703	45.4	21,668	43.3	1,035	2.1

Calculations assume that only the husband has earned income.

TABLE 2

TABLE 3

ELDERLY SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - ANNUAL FIGURES

Income	Charge for 1982-83		Proposed charge for 1983-84		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	per cent	£	per cent	£	per cent
	ELDERLY SINGLE PERSONS					
2,500	129	5.2	42	1.7	87	3.5
3,000	279	9.3	192	6.4	87	2.9
3,500	429	12.3	342	9.8	87	2.5
4,000	579	14.5	492	12.3	87	2.2
5,000	879	17.6	792	15.8	87	1.7
6,000	1,179	19.7	1,092	18.2	87	1.4
7,000	1,539	22.0	1,392	19.9	147	2.1
8,000	1,930	24.1	1,772	22.1	158	2.0
9,000	2,230	24.8	2,164	24.0	66	0.7
10,000	2,530	25.3	2,464	24.6	66	0.7
12,000	3,130	26.1	3,064	25.5	66	0.5
	ELDERLY MARRIED COUPLES (1)					
3,500	61	1.8	0	0.0	61	1.8
4,000	211	5.3	73	1.8	138	3.4
5,000	511	10.2	373	7.5	138	2.8
6,000	811	13.5	673	11.2	138	2.3
7,000	1,171	16.7	973	13.9	198	2.8
8,000	1,666	20.8	1,353	16.9	313	3.9
9,000	1,966	21.9	1,853	20.6	113	1.3
10,000	2,266	22.7	2,161	21.6	105	1.0
12,000	2,866	23.9	2,761	23.0	105	0.9

For incomes above these levels, the figures are the same as those in Tables 1 and 2.

(1) Calculations assume that only the husband has earned income.

TABLE 4

SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - WEEKLY FIGURES

Income	Charge for 1982-83		Proposed charge for 1983-84		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	per cent	£	per cent	£	per cent
	SINGLE PERSONS					
35.00	1.47	4.2	0.20	0.6	1.27	3.6
40.00	2.97	7.4	1.70	4.2	1.27	3.2
50.00	5.97	11.9	4.70	9.4	1.27	2.5
60.00	8.97	14.9	7.70	12.8	1.27	2.1
80.00	14.97	18.7	13.70	17.1	1.27	1.6
100.00	20.97	21.0	19.70	19.7	1.27	1.3
120.00	26.97	22.5	25.70	21.4	1.27	1.1
140.00	32.97	23.6	31.70	22.6	1.27	0.9
160.00	38.97	24.4	37.70	23.6	1.27	0.8
180.00	44.97	25.0	43.70	24.3	1.27	0.7
200.00	50.97	25.5	49.70	24.8	1.27	0.6
220.00	56.97	25.9	55.70	25.3	1.27	0.6
240.00	62.97	26.2	61.70	25.7	1.27	0.5
300.00	83.34	27.8	79.70	26.6	3.64	1.2
350.00	104.82	29.9	98.19	28.1	6.63	1.9
	MARRIED COUPLES (1)					
50.00	0.89	1.8	0.00	0.0	0.89	1.8
60.00	3.89	6.5	1.87	3.1	2.02	3.4
80.00	9.89	12.4	7.87	9.8	2.02	2.5
100.00	15.89	15.9	13.87	13.9	2.02	2.0
120.00	21.89	18.2	19.87	16.6	2.02	1.7
140.00	27.89	19.9	25.87	18.5	2.02	1.4
160.00	33.89	21.2	31.87	19.9	2.02	1.3
180.00	39.89	22.2	37.87	21.0	2.02	1.1
200.00	45.89	22.9	43.87	21.9	2.02	1.0
220.00	51.89	23.6	49.87	22.7	2.02	0.9
240.00	57.89	24.1	55.87	23.3	2.02	0.8
300.00	76.57	25.5	73.87	24.6	2.70	0.9
350.00	97.21	27.8	90.42	25.8	6.79	1.9

(1) Calculations assume that only the husband has earned income.

TABLE 4

TABLE 5

ELDERLY SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - WEEKLY FIGURES

Income	Charge for 1982-83		Proposed charge for 1983-84		Reduction in tax after proposed change	
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	Income tax	As percentage of total income
£	£	per cent	£	per cent	£	per cent
	ELDERLY SINGLE PERSONS					
45.00	1.56	3.5	0.00	0.0	1.56	3.5
50.00	3.05	6.1	1.38	2.8	1.67	3.3
60.00	6.05	10.1	4.38	7.3	1.67	2.8
80.00	12.05	15.1	10.38	13.0	1.67	2.1
100.00	18.05	18.0	16.38	16.4	1.67	1.7
120.00	24.05	20.0	22.38	18.6	1.67	1.4
140.00	32.28	23.1	28.38	20.3	3.90	2.8
160.00	38.97	24.4	37.15	23.2	1.82	1.1
180.00	44.97	25.0	43.70	24.3	1.27	0.7
200.00	50.97	25.5	49.70	24.8	1.27	0.6
	ELDERLY MARRIED COUPLES(1)					
70.00	1.99	2.8	0.00	0.0	1.99	2.8
80.00	4.99	6.2	2.34	2.9	2.65	3.3
100.00	10.99	11.0	8.34	8.3	2.65	2.6
120.00	16.99	14.2	14.34	11.9	2.65	2.2
140.00	25.22	18.0	20.34	14.5	4.88	3.5
160.00	33.89	21.2	29.10	18.2	4.79	3.0
180.00	39.89	22.2	37.87	21.0	2.02	1.1
200.00	45.89	22.9	43.87	21.9	2.02	1.0

For incomes above these levels, the figures are the same as those in Table 4.

(1) Calculations assume that only the husband has earned income.

TABLE 5

TABLE 6a SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - WEEKLY FIGURES
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS
NIC - CONTRACTED IN

Income	Charge for 1982-83			Proposed charge for 1983-84			Change in income after tax and NIC
	Income tax	NIC	Net income after tax and NIC	Income tax	NIC	Net income after tax and NIC	
£	£	£	£	£	£	£	£
	SINGLE PERSONS						
35.00	1.47	3.06	30.47	0.20	3.15	31.65	1.18
40.00	2.97	3.50	33.53	1.70	3.60	34.70	1.17
50.00	5.97	4.37	39.66	4.70	4.50	40.80	1.14
60.00	8.97	5.25	45.78	7.70	5.40	46.90	1.12
80.00	14.97	7.00	58.03	13.70	7.20	59.10	1.07
100.00	20.97	8.75	70.28	19.70	9.00	71.30	1.02
120.00	26.97	10.50	82.53	25.70	10.80	83.50	0.97
140.00	32.97	12.25	94.78	31.70	12.60	95.70	0.92
160.00	38.97	14.00	107.03	37.70	14.40	107.90	0.87
180.00	44.97	15.75	119.28	43.70	16.20	120.10	0.82
200.00	50.97	17.50	131.53	49.70	18.00	132.30	0.77
220.00	56.97	19.25	143.78	55.70	19.80	144.50	0.72
240.00	62.97	19.25	157.78	61.70	21.15	157.15	-0.63
300.00	83.34	19.25	197.41	79.70	21.15	199.15	1.74
350.00	104.82	19.25	225.93	98.19	21.15	230.66	4.73
	MARRIED COUPLES (1)						
50.00	0.89	4.37	44.74	0.00	4.50	45.50	0.76
60.00	3.89	5.25	50.86	1.87	5.40	52.73	1.87
80.00	9.89	7.00	63.11	7.87	7.20	64.93	1.82
100.00	15.89	8.75	75.36	13.87	9.00	77.13	1.77
120.00	21.89	10.50	87.61	19.87	10.80	89.33	1.72
140.00	27.89	12.25	99.86	25.87	12.60	101.53	1.67
160.00	33.89	14.00	112.11	31.87	14.40	113.73	1.62
180.00	39.89	15.75	124.36	37.87	16.20	125.93	1.57
200.00	45.89	17.50	136.61	43.87	18.00	138.13	1.52
220.00	51.89	19.25	148.86	49.87	19.80	150.33	1.47
240.00	57.89	19.25	162.86	55.87	21.15	162.98	0.12
300.00	76.57	19.25	204.18	73.87	21.15	204.98	0.80
350.00	97.21	19.25	233.54	90.42	21.15	238.43	4.89

Employees' National Insurance Contributions are at the Class 1 standard rate for employment <u>not</u> contracted out of the State additional (earnings related) pension scheme.

(1) Calculations assume that only the husband has earned income.

TABLE 6b SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - WEEKLY FIGURES
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS
NIC - CONTRACTED OUT

Income	Charge for 1982-83			Proposed charge for 1983-84			Change in income after tax and NIC
	Income tax	NIC	Net income after tax and NIC	Income tax	NIC	Net income after tax and NIC	
£	£	£	£	£	£	£	£
	SINGLE PERSONS						
35.00	1.47	2.92	30.61	0.20	3.10	31.70	1.09
40.00	2.97	3.24	33.79	1.70	3.44	34.86	1.07
50.00	5.97	3.86	40.17	4.70	4.12	41.18	1.01
60.00	8.97	4.49	46.54	7.70	4.81	47.49	0.95
80.00	14.97	5.74	59.29	13.70	6.18	60.12	0.83
100.00	20.97	6.99	72.04	19.70	7.55	72.75	0.71
120.00	26.97	8.24	84.79	25.70	8.92	85.38	0.59
140.00	32.97	9.49	97.54	31.70	10.29	98.01	0.47
160.00	38.97	10.74	110.29	37.70	11.66	110.64	0.35
180.00	44.97	11.99	123.04	43.70	13.03	123.27	0.23
200.00	50.97	13.24	135.79	49.70	14.40	135.90	0.11
220.00	56.97	14.49	148.54	55.70	15.77	148.53	-0.01
240.00	62.97	14.49	162.54	61.70	16.80	161.50	-1.04
300.00	83.34	14.49	202.17	79.70	16.80	203.50	1.33
350.00	104.82	14.49	230.69	98.19	16.80	235.01	4.32
	MARRIED COUPLES (1)						
50.00	0.89	3.86	45.25	0.00	4.12	45.88	0.63
60.00	3.89	4.49	51.62	1.87	4.81	53.32	1.70
80.00	9.89	5.74	64.37	7.87	6.18	65.95	1.58
100.00	15.89	6.99	77.12	13.87	7.55	78.58	1.46
120.00	21.89	8.24	89.87	19.87	8.92	91.21	1.34
140.00	27.89	9.49	102.62	25.87	10.29	103.84	1.22
160.00	33.89	10.74	115.37	31.87	11.66	116.47	1.10
180.00	39.89	11.99	128.12	37.87	13.03	129.10	0.98
200.00	45.89	13.24	140.87	43.87	14.40	141.73	0.86
220.00	51.89	14.49	153.62	49.87	15.77	154.36	0.74
240.00	57.89	14.49	167.62	55.87	16.80	167.33	-0.29
300.00	76.57	14.49	208.94	73.87	16.80	209.33	0.39
350.00	97.21	14.49	238.30	90.42	16.80	242.78	4.48

Employees' National Insurance Contributions are at the Class 1 standard rate for employment contracted out of the State additional (earnings related) pension scheme.

(1) Calculations assume that only the husband has earned income.

TABLE 7a

NIC - CONTRACTED IN

FAMILIES WITH CHILDREN
MARRIED COUPLE WITH 2 CHILDREN - NET WEEKLY INCOME

Weekly earnings	Weekly income in 1982-83 post November 1982				Weekly income in 1983-84 up to November 1983					Weekly income in 1983-84 post November 1983		
	Child benefit	Income tax	NIC	Net income	Child benefit	Income tax	NIC	Net income	Change compared to 1982-83 post November 82 in income after child benefit, tax and NIC	Child benefit	Net income	Change compared to 1982-83 post November 82 in income after child benefit, tax and NIC
£	£	£	£	£	£	£	£	£	£	£	£	£
50.00	11.70	0.89	4.37	56.44	11.70	0.00	4.50	57.20	0.76	13.00	58.50	2.06
60.00	11.70	3.89	5.25	62.56	11.70	1.87	5.40	64.43	1.87	13.00	65.73	3.17
80.00	11.70	9.89	7.00	74.81	11.70	7.87	7.20	76.63	1.82	13.00	77.93	3.12
100.00	11.70	15.89	8.75	87.06	11.70	13.87	9.00	88.83	1.77	13.00	90.13	3.07
120.00	11.70	21.89	10.50	99.31	11.70	19.87	10.80	101.03	1.72	13.00	102.33	3.02
140.00	11.70	27.89	12.25	111.56	11.70	25.87	12.60	113.23	1.67	13.00	114.53	2.97
160.00	11.70	33.89	14.00	123.81	11.70	31.87	14.40	125.43	1.62	13.00	126.73	2.92
180.00	11.70	39.89	15.75	136.06	11.70	37.87	16.20	137.63	1.57	13.00	138.93	2.87
200.00	11.70	45.89	17.50	148.31	11.70	43.87	18.00	149.83	1.52	13.00	151.13	2.82
220.00	11.70	51.89	19.25	160.56	11.70	49.87	19.80	162.03	1.47	13.00	163.33	2.77
240.00	11.70	57.89	19.25	174.56	11.70	55.87	21.15	174.68	0.12	13.00	175.98	1.42
300.00	11.70	76.57	19.25	215.88	11.70	73.87	21.15	216.68	0.80	13.00	217.98	2.10
350.00	11.70	97.21	19.25	245.24	11.70	90.42	21.15	250.13	4.89	13.00	251.43	6.19

Notes

Net income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit. It is assumed that only the husband is earning.

National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings related) pension scheme.

Single parent families have the same net weekly income as married couples on the same weekly earnings except that a single parent family with two children received £7.30 extra child benefit per week from November 1982 and will receive £8.10 extra per week from November 1983.

Child Benefit The rate up to November 1983 is £11.70 per week (£5.85 per child) and will then be increased by £1.30 per week (£0.65p per child) to £13.00 (£6.50 per child).

TABLE 7a

TABLE 7b

FAMILIES WITH CHILDREN
MARRIED COUPLE WITH 2 CHILDREN - NET WEEKLY INCOME

Weekly earnings	Weekly income in 1982-83 post November 1982				Weekly income in 1983-84 up to November 1983					Weekly income in 1983-84 post November 1983		
	Child benefit	Income tax	NIC	Net income	Child benefit	Income tax	NIC	Net income	Change compared to 1982-83 post November 82 in income after child benefit, tax and NIC	Child benefit	Net income	Change compared to 1982-83 post November 82 in income after child benefit, tax and NIC
£	£	£	£	£	£	£	£	£	£	£	£	£
50.00	11.70	0.89	3.86	56.95	11.70	0.00	4.12	57.58	0.63	13.00	58.88	1.93
60.00	11.70	3.89	4.49	63.32	11.70	1.87	4.81	65.02	1.70	13.00	66.32	3.00
80.00	11.70	9.89	5.74	76.07	11.70	7.87	6.18	77.65	1.58	13.00	78.95	2.88
100.00	11.70	15.89	6.99	88.82	11.70	13.87	7.55	90.28	1.46	13.00	91.58	2.76
120.00	11.70	21.89	8.24	101.57	11.70	19.87	8.92	102.91	1.34	13.00	104.21	2.64
140.00	11.70	27.89	9.49	114.32	11.70	25.87	10.29	115.54	1.22	13.00	116.84	2.52
160.00	11.70	33.89	10.74	127.07	11.70	31.87	11.66	128.17	1.10	13.00	129.47	2.40
180.00	11.70	39.89	11.99	139.82	11.70	37.87	13.03	140.80	0.98	13.00	142.10	2.28
200.00	11.70	45.89	13.24	152.57	11.70	43.87	14.40	153.43	0.86	13.00	154.73	2.16
220.00	11.70	51.89	14.49	165.32	11.70	49.87	15.77	166.06	0.74	13.00	167.36	2.04
240.00	11.70	57.89	14.49	179.32	11.70	55.87	16.80	179.03	-0.29	13.00	180.33	1.01
300.00	11.70	76.57	14.49	220.64	11.70	73.87	16.80	221.03	0.39	13.00	222.33	1.69
350.00	11.70	97.21	14.49	250.00	11.70	90.42	16.80	254.48	4.48	13.00	255.78	5.78

Notes

Net income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit. It is assumed that only the husband is earning.

National Insurance Contributions are at the standard Class 1 rate for employment contracted out of the State additional (earnings related) pension scheme.

Single parent families have the same net weekly income as married couples on the same weekly earnings except that a single parent family with two children received £7.30 extra child benefit per week from November 1982 and will receive £8.10 extra per week from November 1983.

Child Benefit The rate up to November 1983 is £11.70 per week (£5.85 per child) and will then be increased by £1.30 per week (£0.65p per child) to £13.00 (£6.50 per child).

TABLE 8 SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - COMPARISON WITH 1982-83 WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN 1982-83 AND 1983-84

Income in 1982-83	Charge for 1982-83		Adjusted(1) income in 1983-84	Proposed charge for 1983-84		Percentage change in income after tax
	Income tax	Percentage of total income taken in tax		Income tax	Percentage of total income taken in tax	
£	£	per cent	£	£	per cent	per cent
	SINGLE PERSONS					
2,000	130	6.5	2,130	103	4.9	8.4
2,500	280	11.2	2,662	263	9.9	8.1
3,000	430	14.4	3,195	423	13.2	7.9
3,500	580	16.6	3,727	583	15.6	7.7
4,000	730	18.3	4,260	742	17.4	7.6
6,000	1,330	22.2	6,390	1,381	21.6	7.3
8,000	1,930	24.1	8,520	2,020	23.7	7.1
10,000	2,530	25.3	10,650	2,659	25.0	7.0
12,000	3,130	26.1	12,780	3,298	25.8	6.9
15,000	4,094	27.3	15,975	4,257	26.6	7.4
20,000	6,261	31.3	21,300	6,462	30.3	8.0
25,000	8,727	34.9	26,625	9,010	33.8	8.3
40,000	17,231	43.1	42,600	17,834	41.9	8.8
50,000	23,231	46.5	53,250	24,224	45.5	8.4
	MARRIED COUPLES(2)					
2,500	16	0.7	2,662	0	0.0	7.2
3,000	166	5.6	3,195	120	3.8	8.5
3,500	316	9.0	3,727	280	7.5	8.3
4,000	466	11.7	4,260	439	10.3	8.1
6,000	1,066	17.8	6,390	1,078	16.9	7.7
8,000	1,666	20.8	8,520	1,717	20.2	7.4
10,000	2,266	22.7	10,650	2,356	22.1	7.2
12,000	2,866	23.9	12,780	2,995	23.4	7.1
15,000	3,766	25.1	15,975	3,954	24.8	7.0
20,000	5,865	29.3	21,300	6,007	28.2	8.2
25,000	8,287	33.2	26,625	8,505	31.9	8.4
40,000	16,703	41.8	42,600	17,228	40.4	8.9
50,000	22,703	45.4	53,250	23,618	44.4	8.6

(1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) Assuming that only the husband has earned income

TABLE 9a SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - COMPARISON WITH 1982-83
WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN 1982-83 AND 1983-84
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (NIC-CONTRACTED IN)

Income in 1982-83	Charge for 1982-83			Adjusted[(1)] income in 1982-83	Proposed charge for 1983-84			Percentage change in income after tax and NIC
	Income tax	NIC[(2)]	Percentage of total income taken in tax and NIC		Income tax	NIC[(2)]	Percentage of total income taken in tax and NIC	
£	£	£	per cent	£	£	£	per cent	per cent
SINGLE PERSONS								
2,000	130	175	15.2	2,130	103	192	13.8	8.3
2,500	280	219	20.0	2,662	263	240	18.9	7.9
3,000	430	262	23.1	3,195	423	288	22.3	7.6
3,500	580	306	25.3	3,727	583	335	24.6	7.5
4,000	730	350	27.0	4,260	742	383	26.4	7.4
6,000	1,330	525	30.9	6,390	1,381	575	30.6	7.0
8,000	1,930	700	32.9	8,520	2,020	767	32.7	6.8
10,000	2,530	875	34.0	10,650	2,659	958	34.0	6.6
12,000	3,130	1,001	34.4	12,780	3,298	1,100	34.4	6.5
15,000	4,094	1,001	34.0	15,975	4,257	1,100	33.5	7.2
20,000	6,261	1,001	36.3	21,300	6,462	1,100	35.5	7.9
25,000	8,727	1,001	38.9	26,625	9,010	1,100	38.0	8.1
40,000	17,231	1,001	45.6	42,600	17,834	1,100	44.4	8.7
50,000	23,231	1,001	48.5	53,250	24,224	1,100	47.6	8.4
MARRIED COUPLES[(3)]								
2,500	16	219	9.4	2,662	0	240	9.0	7.0
3,000	166	262	14.3	3,195	120	288	12.8	8.4
3,500	316	306	17.8	3,727	280	335	16.5	8.1
4,000	466	350	20.4	4,260	439	383	19.3	8.0
6,000	1,066	525	26.5	6,390	1,078	575	25.9	7.4
8,000	1,666	700	29.6	8,520	1,717	767	29.2	7.1
10,000	2,266	875	31.4	10,650	2,356	958	31.1	7.0
12,000	2,866	1,001	32.2	12,780	2,995	1,100	32.0	6.8
15,000	3,766	1,001	31.8	15,975	3,954	1,100	31.6	6.7
20,000	5,865	1,001	34.3	21,300	6,007	1,100	33.4	8.1
25,000	8,287	1,001	37.2	26,625	8,505	1,100	36.1	8.3
40,000	16,703	1,001	44.3	42,600	17,228	1,100	43.0	8.9
50,000	22,703	1,001	47.4	53,250	23,618	1,100	46.4	8.5

(1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) National Insurance Contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.

(3) Assuming that only the husband has earned income.

TABLE 9b SINGLE AND MARRIED COUPLES - INCOME ALL EARNED - COMPARISON WITH 1982-83
WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN 1982-83 AND 1983-84
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (NIC-CONTRACTED OUT)

Income in 1982-83	Charge for 1982-83			Adjusted income in 1982-83 (1)	Proposed charge for 1983-84			Percentage change in income after tax and NIC
	Income tax	NIC (2)	Percentage of total income taken in tax and NIC		Income tax	NIC (2)	Percentage of total income taken in tax and NIC	
£	£	£	per cent	£	£	£	per cent	per cent
		SINGLE PERSONS						
2,000	130	163	14.6	2,130	103	182	13.4	8.1
2,500	280	195	19.0	2,662	263	219	18.1	7.7
3,000	430	226	21.9	3,195	423	255	21.2	7.4
3,500	580	257	23.9	3,727	583	292	23.5	7.1
4,000	730	288	25.4	4,260	742	328	25.1	7.0
6,000	1,330	413	29.0	6,390	1,381	474	29.0	6.5
8,000	1,930	538	30.8	8,520	2,020	620	31.0	6.3
10,000	2,530	663	31.9	10,650	2,659	766	32.2	6.1
12,000	3,130	753	32.4	12,780	3,298	873	32.6	6.1
15,000	4,094	753	32.3	15,975	4,257	873	32.1	6.8
20,000	6,261	753	35.1	21,300	6,462	873	34.4	7.5
25,000	8,727	753	37.9	26,625	9,010	873	37.1	7.9
40,000	17,231	753	45.0	42,600	17,834	873	43.9	8.5
50,000	23,231	753	48.0	53,250	24,224	873	47.1	8.2
		MARRIED COUPLES (3)						
2,500	16	195	8.4	2,662	0	219	8.2	6.8
3,000	166	226	13.1	3,195	120	255	11.7	8.1
3,500	316	257	16.4	3,727	280	292	15.3	7.8
4,000	466	288	18.8	4,260	439	328	18.0	7.6
6,000	1,066	413	24.6	6,390	1,078	474	24.3	7.0
8,000	1,666	538	27.5	8,520	1,717	620	27.4	6.7
10,000	2,266	663	29.3	10,650	2,356	766	29.3	6.5
12,000	2,866	753	30.2	12,780	2,995	873	30.3	6.3
15,000	3,766	753	30.1	15,975	3,954	873	30.2	6.4
20,000	5,865	753	33.1	21,300	6,007	873	32.3	7.8
25,000	8,287	753	36.2	26,625	8,505	873	35.2	8.1
40,000	16,703	753	43.6	42,600	17,228	873	42.5	8.7
50,000	22,703	753	46.9	53,250	23,618	873	46.0	8.3

(1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) National Insurance Contributions are at the Class 1 standard rate for employment contracted out of the State additional (earnings related) pension scheme.

(3) Assuming that only the husband has earned income.

TABLE 10a

MARRIED COUPLE WITH TWO CHILDREN - INCOME ALL EARNED - WEEKLY FIGURES
COMPARISON WITH 1982-83 (POST NOVEMBER) WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN NOVEMBER 1982 AND NOVEMBER 1983
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (NIC - CONTRACTED IN)

Income	1982-83 (Post November 1982)				1983-84 (Post November 1983)					Percentage change in income after child benefit, tax and NIC
	Income tax	NIC	Child benefit	Net income	Adjusted income (1)	Income tax	NIC	Child benefit	Net income	
£	£	£	£	£	£	£	£	£	£	per cent
50.00	0.89	4.37	11.70	56.44	53.25	0.00	4.79	13.00	61.46	8.9
60.00	3.89	5.25	11.70	62.56	63.90	3.04	5.75	13.00	68.11	8.9
80.00	9.89	7.00	11.70	74.81	85.20	9.43	7.67	13.00	81.10	8.4
100.00	15.89	8.75	11.70	87.06	106.50	15.82	9.58	13.00	94.10	8.1
120.00	21.89	10.50	11.70	99.31	127.80	22.21	11.50	13.00	107.09	7.8
140.00	27.89	12.25	11.70	111.56	149.10	28.60	13.42	13.00	120.08	7.6
160.00	33.89	14.00	11.70	123.81	170.40	34.99	15.34	13.00	133.07	7.5
180.00	39.89	15.75	11.70	136.06	191.70	41.38	17.25	13.00	146.07	7.4
200.00	45.89	17.50	11.70	148.31	213.00	47.77	19.17	13.00	159.06	7.2
220.00	51.89	19.25	11.70	160.56	234.30	54.16	21.09	13.00	172.05	7.2
240.00	57.89	19.25	11.70	174.56	255.60	60.55	21.15	13.00	186.90	7.1
300.00	76.57	19.25	11.70	215.88	319.50	79.72	21.15	13.00	231.63	7.3
350.00	97.21	19.25	11.70	245.24	372.75	99.52	21.15	13.00	265.08	8.1

(1) The adjusted incomes shown for November 1983 are for illustration. They have been obtained by increasing the corresponding incomes in November 1982 by 6.5 per cent.

Employees' National Insurance Contributions are at the Class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.

Calculations assume that only the husband has earned income.

TABLE 10b

MARRIED COUPLE WITH TWO CHILDREN - INCOME ALL EARNED - WEEKLY FIGURES
COMPARISON WITH 1982-83 (POST NOVEMBER) WHERE EARNINGS INCREASE BY 6.5 PER CENT BETWEEN NOVEMBER 1982 AND NOVEMBER 1983
INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (NIC - CONTRACTED OUT)

Income	1982-83 (Post November 1982)				1983-84 (Post November 1983)					Percentage change in income after child benefit, tax and NIC
	Income tax	NIC	Child benefit	Net income	Adjusted income (1)	Income tax	NIC	Child benefit	Net income	
£	£	£	£	£	£	£	£	£	£	per cent
50.00	0.89	3.86	11.70	56.95	53.25	0.00	4.35	13.00	61.90	8.7
60.00	3.89	4.49	11.70	63.32	63.90	3.04	5.08	13.00	68.78	8.6
80.00	9.89	5.74	11.70	76.07	85.20	9.43	6.53	13.00	82.24	8.1
100.00	15.89	6.99	11.70	88.82	106.50	15.82	7.99	13.00	95.69	7.7
120.00	21.89	8.24	11.70	101.57	127.80	22.21	9.45	13.00	109.14	7.5
140.00	27.89	9.49	11.70	114.32	149.10	28.60	10.91	13.00	122.59	7.2
160.00	33.89	10.74	11.70	127.07	170.40	34.99	12.37	13.00	136.04	7.1
180.00	39.89	11.99	11.70	139.82	191.70	41.38	13.83	13.00	149.49	6.9
200.00	45.89	13.24	11.70	152.57	213.00	47.77	15.29	13.00	162.94	6.8
220.00	51.89	14.49	11.70	165.32	234.30	54.16	16.75	13.00	176.39	6.7
240.00	57.89	14.49	11.70	179.32	255.60	60.55	16.80	13.00	191.25	6.7
300.00	76.57	14.49	11.70	220.64	319.50	79.72	16.80	13.00	235.98	7.0
350.00	97.21	14.49	11.70	250.00	372.75	99.52	16.80	13.00	269.43	7.8

(1) The adjusted incomes shown for November 1983 are for illustration. They have been obtained by increasing the corresponding incomes in November 1982 by 6.5 per cent.

Employees' National Insurance Contributions are at the Class 1 standard rate for employment contracted out of the State additional (earnings related) pension scheme.

Calculations assume that only the husband has earned income.

TABLE 11

MARRIED COUPLES - HUSBAND AND WIFE BOTH WORKING - INCOME ALL EARNED
COMPARISON OF INCOME AFTER TAX IN 1982-83 AND 1983-84,
WHERE EARNINGS INCREASE BY 6.5 PER CENT

Weekly income in 1982-83			Charge in 1982-83		Adjusted weekly income in 1983-84			Proposed charge in 1983-84		Percentage change in income after tax
Husband	Wife	Joint	Income tax	Percentage of income taken in tax	Husband	Wife	Joint	Income tax	Percentage of income taken in tax	
£	£	£	£	per cent	£	£	£	£	per cent	per cent
120.00	40.00	160.00	24.87	15.5	127.80	42.60	170.40	24.70	14.5	7.8
	80.00	200.00	36.87	18.4		85.20	213.00	37.48	17.6	7.6
	100.00	220.00	42.87	19.5		106.50	234.30	43.87	18.7	7.5
	160.00	280.00	60.87	21.7		170.40	298.20	63.04	21.1	7.3
	200.00	320.00	72.87	22.8		213.00	340.80	75.82	22.2	7.2
160.00	40.00	200.00	36.87	18.4	170.40	42.60	213.00	37.48	17.6	7.6
	80.00	240.00	48.87	20.4		85.20	255.60	50.26	19.7	7.4
	100.00	260.00	54.87	21.1		106.50	276.90	56.65	20.5	7.4
	160.00	320.00	72.87	22.8		170.40	340.80	75.82	22.2	7.2
	200.00	360.00	88.54	24.6		213.00	383.40	90.05	23.5	8.1
200.00	40.00	240.00	48.87	20.4	213.00	42.60	255.60	50.26	19.7	7.4
	80.00	280.00	60.87	21.7		85.20	298.20	63.04	21.1	7.3
	100.00	300.00	66.87	22.3		106.50	319.50	69.43	21.7	7.3
	160.00	360.00	88.54	24.6		170.40	383.40	90.05	23.5	8.1
	200.00	400.00	101.94*	25.5		213.00	426.00	107.20*	25.2	7.0
250.00	40.00	290.00	63.87	22.0	266.25	42.60	308.85	66.23	21.4	7.3
	80.00	330.00	76.54	23.2		85.20	351.45	79.01	22.5	7.5
	100.00	350.00	84.54	24.2		106.50	372.75	85.79	23.0	8.1
	160.00	410.00	104.94*	25.6		170.40	436.65	110.40*	25.3	6.9
	200.00	450.00	116.94*	26.0		213.00	479.25	123.18*	25.7	6.9

Notes: (1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) *Denotes wife's earnings election beneficial.

TABLE 12a

MARRIED COUPLES - HUSBAND AND WIFE BOTH WORKING - INCOME ALL EARNED
COMPARISON OF INCOME AFTER TAX AND NATIONAL INSURANCE CONTRIBUTIONS
IN 1982-83 AND 1983-84, WHERE EARNINGS INCREASE BY 6.5 PER CENT

NIC: CONTRACTED IN

Weekly income in 1982-83			Charge in 1982-83			Adjusted weekly income in 1983-84			Proposed charge in 1983-84			Percentage change in income after tax and NIC
Husband	Wife	Joint	Income tax	NIC	Percentage of income taken in tax and NIC	Husband	Wife	Joint	Income tax	NIC	Percentage of income taken in tax and NIC	
£	£	£	£	£	per cent	£	£	£	£	£	per cent	per cent
120.00	40.00	160.00	24.87	14.00	24.3	127.80	42.60	170.40	24.70	15.34	23.5	7.6
	80.00	200.00	36.87	17.50	27.2		85.20	213.00	37.48	19.17	26.6	7.4
	100.00	220.00	42.87	19.25	28.2		106.50	234.30	43.87	21.09	27.7	7.3
	160.00	280.00	60.87	24.50	30.5		170.40	298.20	63.04	26.84	30.1	7.0
	200.00	320.00	72.87	28.00	31.5		213.00	340.80	75.82	30.67	31.2	6.9
160.00	40.00	200.00	36.87	17.50	27.2	170.40	42.60	213.00	37.48	19.17	26.6	7.4
	80.00	240.00	48.87	21.00	29.1		85.20	255.60	50.26	23.00	28.7	7.2
	100.00	260.00	54.87	22.75	29.9		106.50	276.90	56.65	24.92	29.5	7.1
	160.00	320.00	72.87	28.00	31.5		170.40	340.80	75.82	30.67	31.2	6.9
	200.00	360.00	88.54	31.50	33.3		213.00	383.40	90.05	34.51	32.5	7.9
200.00	40.00	240.00	48.87	21.00	29.1	213.00	42.60	255.60	50.26	23.00	28.7	7.2
	80.00	280.00	60.87	24.50	30.5		85.20	298.20	63.04	26.84	30.1	7.0
	100.00	300.00	66.87	26.25	31.0		106.50	319.50	69.43	28.75	30.7	7.0
	160.00	360.00	88.54	31.50	33.3		170.40	383.40	90.05	34.51	32.5	7.9
	200.00	400.00	101.94*	35.00	34.2		213.00	426.00	107.20*	38.34	34.2	6.6
250.00	40.00	290.00	63.87	22.75	29.9	266.25	42.60	308.85	66.23	24.98	29.5	7.0
	80.00	330.00	76.54	26.25	31.1		85.20	351.45	79.01	28.82	30.7	7.2
	100.00	350.00	84.54	28.00	32.2		106.50	372.75	85.79	30.74	31.3	7.9
	160.00	410.00	104.94*	33.25	33.7		170.40	436.65	110.40*	36.49	33.6	6.6
	200.00	450.00	116.94*	36.75	34.2		213.00	479.25	123.18*	40.32	34.1	6.6

Notes: (1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) National Insurance Contributions are at the class 1 standard rate for employment not contracted out of the State additional (earnings related) pension scheme.

(3) * Denotes wife's earnings election beneficial.

TABLE 12b

MARRIED COUPLES - HUSBAND AND WIFE BOTH WORKING - INCOME ALL EARNED
COMPARISON OF INCOME AFTER TAX AND NATIONAL INSURANCE CONTRIBUTIONS
IN 1982-83 AND 1983-84, WHERE EARNINGS INCREASE BY 6.5 PER CENT

NIC: CONTRACTED OUT

Weekly income in 1982-83			Charge in 1982-83			Adjusted weekly income in 1983-84			Proposed charge in 1983-84			Percentage change in income after tax and NIC
Husband	Wife	Joint	Income tax	NIC	Percentage of income taken in tax and NIC	Husband	Wife	Joint	Income tax	NIC	Percentage of income taken in tax and NIC	
£	£	£	£	£	per cent	£	£	£	£	£	per cent	per cent
120.00	40.00	160.00	24.87	11.47	22.7	127.80	42.60	170.40	24.70	13.07	22.2	7.3
	80.00	200.00	36.87	13.97	25.4		85.20	213.00	37.48	15.99	25.1	7.0
	100.00	220.00	42.87	15.22	26.4		106.50	234.30	43.87	17.45	26.2	6.8
	160.00	280.00	60.87	18.97	28.5		170.40	298.20	63.04	21.82	28.5	6.6
	200.00	320.00	72.87	21.47	29.5		213.00	340.80	75.82	24.74	29.5	6.5
160.00	40.00	200.00	36.87	13.97	25.4	170.40	42.60	213.00	37.48	15.99	25.1	7.0
	80.00	240.00	48.87	16.47	27.2		85.20	255.60	50.26	18.91	27.1	6.7
	100.00	260.00	54.87	17.72	27.9		106.50	276.90	56.65	20.37	27.8	6.7
	160.00	320.00	72.87	21.47	29.5		170.40	340.80	75.82	24.74	29.5	6.5
	200.00	360.00	88.54	23.97	31.3		213.00	383.40	90.05	27.66	30.7	7.4
200.00	40.00	240.00	48.87	16.47	27.2	213.00	42.60	255.60	50.26	18.91	27.1	6.7
	80.00	280.00	60.87	18.97	28.5		85.20	298.20	63.04	21.82	28.5	6.6
	100.00	300.00	66.87	20.22	29.0		106.50	319.50	69.43	23.28	29.0	6.5
	160.00	360.00	88.54	23.97	31.3		170.40	383.40	90.05	27.66	30.7	7.4
	200.00	400.00	101.94*	26.47	32.1		213.00	426.00	107.20*	30.58	32.3	6.1
250.00	40.00	290.00	63.87	17.72	28.1	266.25	42.60	308.85	66.23	20.41	28.1	6.6
	80.00	330.00	76.54	20.22	29.3		85.20	351.45	79.01	23.33	29.1	6.8
	100.00	350.00	84.54	21.47	30.3		106.50	372.75	85.79	24.79	29.7	7.5
	160.00	410.00	104.94*	25.22	31.7		170.40	436.65	110.40*	29.17	32.0	6.2
	200.00	450.00	116.94*	27.72	32.1		213.00	479.25	123.18*	32.09	32.4	6.1

Notes: (1) The adjusted incomes shown for 1983-84 are for illustration. They have been obtained by increasing the corresponding incomes in 1982-83 by 6.5 per cent.

(2) National Insurance Contributions are at the Class 1 standard rate for employment contracted out of the State additional (earnings related) pension scheme.

(3)* Denotes wife's earnings election beneficial.

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INLAND REVENUE Press Release

[3x] 15 March 1983

CORPORATE BONDS INCLUDING DEEP DISCOUNTED STOCK

The Chancellor proposes in his Budget to introduce new rules for the tax treatment of stock issued by companies at a "deep" discount.

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1. The Budget proposals widen the range of bonds available to companies. There are three basic types of bond:

A. Conventional stock

2. Such stocks are issued at or close to their redemption price and carry the full commercial rate of interest prevailing at the time of issue. The interest is taxable as income in the hands of the lender. It is allowable against the borrower's profits for corporation tax.

3. Following the Budget proposals (see 5 below), if such a stock is issued at a discount of up to ½ per cent a year (up to a maximum of 15 per cent), this discount will be treated as capital. This means that in the hands of the lender (other than a bank or a financial concern) it will be subject only to capital gains tax. It will not be allowable against profit for the borrower. This gives companies flexibility at the time of issue to vary the price of the stock.

B. Indexed stock

4. The tax treatment of indexed stocks carrying a reasonable commercial rate of interest was set out in an Inland Revenue Press Release of 25 June 1982. There are two broad types of this stock:

(a) Indexation takes the form of a capital uplift of the principal to take account only of inflation. In this case, in the hands of the lender (other than a bank or financial concern) the uplift is subject only to capital gains tax. It is not allowable against the borrower's profits for corporation tax. Interest payable is taxable in the hands of the lender, and allowable against the borrower's profits for corporation tax.

(b) Indexation takes the form of additional interest to cover inflation. In this case also such interest is taxed as income in the hands of the lender and is allowable against the borrower's profits for corporation tax.

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C. Deep discount (and zero coupon) stock

5. Such stock pays annual interest well below the full commercial rate at the time of issue (or zero interest). As a consequence it is issued at a substantial discount on its redemption value. The Chancellor has proposed new rules for the taxation of this discount. The rules will apply to stock issued by companies with a discount of more than ½ a point a year over the life of the stock, or at an overall discount of more than 15 points if the life of the stock is 30 years or more.

6. The general principle of the proposed rules will be that the discount will be treated as income. It will be spread (ie "accrued") over the life of the bond on a compound yield basis. The company issuing the stock will be able to set against its profits each year that part of the discount which accrues each year - despite the fact that the company only pays out the discount at redemption. By contrast, the lender will be taxed only when he disposes of the stock or when it is redeemed. The discount accruing during his period of ownership will be taxed as income in the year of disposal or redemption. To the extent that the difference between his acquisition cost and his proceeds on disposal or redemption is greater or less than this accrued income, the difference will be a capital gain or loss (except for a bank or financial concern).

7. There will be no requirement to deduct tax from the discount when it is paid on redemption of the stock.

8. The treatment of stock issued by foreign companies will follow the same principles as for UK stock.

9. The necessary legislation will be introduced at Committee Stage of the Finance Bill and will not apply to transactions before 6 April 1983.

Explanatory leaflet

10. The Revenue will in due course be producing an explanatory leaflet in greater detail on the various options available.

NOTE FOR EDITORS

1. The Government believes that both companies and monetary policy would benefit from a revived corporate bond market.

2. In June 1982 the Chancellor lifted the embargo on the issue of stocks at a deep discount by companies (see Inland Revenue Press Notice of 25 June 1982). In January 1983 the Inland Revenue issued a consultative document (Tax Treatment of Deep Discounted Stock).

3. The proposed new rules for deep discounted stock (including zero coupon stock) will extend the range of options available to companies, and provide greater flexibility. They may be particularly appropriate for firms with current cash constraints or for firms undertaking long investment projects which will not produce a return for a number of years.

H. M. TREASURY

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NORTH SEA FISCAL REGIME

The Minister of State at the Treasury, John Wakeham MP, has written today to the UK Offshore Operators' Association (UKOOA) about the Budget proposals for North Sea taxation. A copy of his letter is attached.

In the letter, the Minister confirms the very careful consideration which he and his colleagues have given to the study of future North Sea profitability and the fiscal regime carried out by UKOOA, and to the representations made, in formulating their proposals.

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NOTES FOR EDITORS

The main features of the package are:

(a) measures to give relief totalling over £800 million over the next four years starting with some real cash flow benefits in 1983-84 of £115 million;

(b) a significantly lower tax regime for future fields, based on the doubling of the Petroleum Revenue Tax oil allowance and the waiving of royalties for fields whose development is approved on or after 1 April 1982, apart from those onshore or in the Southern Basin;

(c) <u>the phasing out of Advance Petroleum Revenue Tax</u>, which will be complete by the end of 1986;

(d) immediate PRT relief against any field for expenditure incurred after today on searching for oil or appraising reserves discovered.

MINISTER OF STATE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

G Williams Esq
UK Offshore Operators' Association Ltd
192 Sloane Street
LONDON
SW1X 9QX

15 March 1983

Dear George,

DISCUSSIONS ON NORTH SEA FISCAL REGIME

The last few months have seen a full and valuable process of consultation and discussions between the Government and the industry on future North Sea profitability and the fiscal regime. UKOOA and officials have each conducted studies. On 22 December you sent Nigel Lawson and myself a blue book reporting the results of UKOOA's study of future field profitability and making proposals on tax and royalties. In our deliberations on the fiscal regime I and my colleagues have given very careful consideration to your representations and the results of the two studies.

It is common ground between us that future oil fields are likely in general to be smaller, geologically more complex and proportionately more costly to develop than the majority of existing fields. We certainly believe that the most important objective is to ensure an appropriate fiscal environment for the development of the next generation of fields. I think the discussions which have taken place have confirmed that UKOOA also see this as a primary objective.

The Chancellor has taken full account of UKOOA's main points, in particular, your concern to encourage future exploration, appraisal and development. Thus the proposals announced today provide a substantially more favourable regime for future fields, together with a package of relief on current fields to help finance new developments which will be worth more than £800 million over the next 4 years, starting with £115 million in 1983-84. Perhaps I could comment briefly on each of the main changes in turn.

First, we are phasing out APRT. The industry has been unanimous in asking for this. This should provide some easement of present cash flow and help finance future North Sea activity. In addition, it means future fields will pay no APRT.

Second, we are introducing immediate PRT relief for the costs of searching for and ascertaining the extent and characteristics of new oil and gas reserves anywhere in the UK or beneath the Continental Shelf. This is another measure sought by your Association. In effect it means that the Exchequer will provide rapid tax relief worth up to 75p in the £ for the cost of exploration and appraisal drilling, where the company concerned is paying PRT. It also goes some way towards your wish to see a relaxation at the edges of the field basis of PRT.

Third, all future fields (defined as those approved for development since April 1982) apart from those onshore and in the Southern Basin will pay no royalties and get double the existing oil allowance. These measures go a long way towards your own proposals for oil allowance and royalties. The fiscal regime for these fields will be much simpler: just PRT and corporation tax. They will pay no special taxes until costs have been recovered. Even after payback these fields will only pay PRT when annual production exceeds 1 million tonnes a year (20,000 barrels a day). The tax they do pay will be entirely profit-related. Looking at the future fields which we examined with the operators, and using our middle oil price assumptions, the average rate of tax will be reduced from over 70% to around 60%. The average net present value (at a 10% real discount rate) to companies will be almost 80% higher.

The Government believes that by further, and substantially, enhancing the front-end loading of relief these changes should provide a valuable fiscal incentive to further activity on the UKCS by promoting exploration and appraisal and encouraging development.

In order to give relief in the most cost-effective way we have specifically targetted it toward the future oil fields. Some existing fields will however gain from the phasing out of APRT. This will in principle also benefit future onshore and Southern Basin fields, as will the new PRT relief for exploration and appraisal expenditure. So far as onshore fields are concerned costs are much lower and the existing oil allowance is already generous in relation to the size of the likely reserves. So far as the Southern Basin is concerned, such limited evidence as we have available suggests that new developments could be very profitable on the basis of the fiscal regime as it is now; but we shall be prepared to discuss any evidence that may be submitted by the operators on the profitability of future fields in that area. If we were to be persuaded that a case had been made out for extending concessions to Southern Basin fields, we would backdate any extension for these fields to apply to any approval for development after Budget Day 1983.

Finally there are our proposals on PRT expenditure reliefs and taxation of non-oil receipts including tariffs which were

foreshadowed in the Consultative Document of last May. On the expenditure side these will benefit existing fields and will I know be welcome. In saying that, I fully understand your concern about cases of common ownership in particular. On the charging side we accept (as your Association argued) that there should be some significant abatement of the charge on tariffs. This will be by means of a generous throughput allowance of 500,000 tonnes a year from each user field. For a transitional period of 5 years, the allowance will be 750,000 tonnes a year for agreements made on or before 7 May 1982 (the day the Consultative Document was published). These proposals should remove the tax uncertainty which has surrounded asset-sharing and prove helpful in encouraging development through sensible sharing arrangements.

When Nigel Lawson wrote to you on 28 October 1982, he said we hoped it would be possible to show UKOOA aggregated results from the study by officials of the likely profitability of some actual future fields and incremental projects. I know that UKOOA is keen to see the results. I am pleased to be able to give these together with tables showing the effect of the Budget changes. The detailed figures and a narrative commentary are attached.*

I hope you will agree that in making the Budget changes, costing an average of £200 million per annum over the next 4 years, the Government has shown itself responsive to changing circumstances. In particular we have taken into account the smaller size of future projects. Another factor in our deliberations has of course been the current uncertainty about the immediate prospects for oil prices. We have, I believe, given substance to our declared aim of closing the gap between the Government and the industry on the impact of the North Sea fiscal regime. Tax, of course is not the whole story; the pace of future development also depends on price expectations and the rate of technological change in bringing down cost. But I believe we have done our part in ensuring that the UKCS remains an attractive oil and gas province and I hope we can look to the industry for a positive response.

Yours sincerely

John Wakeham

JOHN WAKEHAM

* Copies of the figures and narrative commentary are available as a Background Paper from the Reference Room, Inland Revenue Library, Room 8, New Wing, Somerset House, Strand, London WC2R 1LB, price 40p a copy (post free).

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GOVERNMENT REVENUES FROM THE NORTH SEA

Introduction and Summary

The Financial Statement and Budget Report contains projections of Government revenues from North Sea oil and gas (in current prices) over the period to 1985-86. In 1983-84 revenues are now expected to be higher than was projected at the time of the Chancellor's Autumn Statement last November, and considerably higher than in the projections published at this time last year. There has been little change compared with last year's FSBR in the projection of revenues in 1984-85.

2. These differences are the result of a number of factors. By comparison with last year's FSBR projections, the projection of markedly higher revenues in 1983-84 is mainly the result of a combination of upward revisions to the assumptions about production in tax-paying fields and about the sterling price of North Sea oil. In 1984-85, the impact on the projection of revenues of higher production in tax-paying fields is offset by the assumption of a lower sterling oil price.

3. Government revenues from the North Sea are now expected to be broadly flat between 1982-83 and 1984-85.

Revenue Projections

4. Table 1 shows Government revenues from the North Sea in current prices for the period 1981-82 to 1985-86. It also compares the latest projections with those made at the time of the Autumn Statement in November 1982 and at the time of the 1981 and 1982 Budgets. Table 2 shows the constituents of total Government revenues in 1982-83 and 1983-84, as projected in both this year's and last year's FSBR. This note describes the current projection of North Sea revenues and explains why it differs from the two projections made last year. In doing so, it illustrates the very wide margins of error to which such projections are subject.

Previous Government Projections

5. Government revenues from the North Sea in current prices in 1982-83 are now expected to be £8 billion, over £1¼ billion more than was expected at this time last year and some £¾ billion more than was expected at the time of last year's Autumn Statement. The projections made at the time of the 1982 Budget assumed that for the rest of 1982, both the dollar price of North Sea oil and the sterling/dollar exchange rate would 'remain at around recent levels.' In the event, the dollar North Sea oil price rose in June from $31 a barrel to $33.50 a barrel, where it

Continued...../3

remained for the rest of the year, and the exchange rate fell from $1.85 in the first quarter of 1982 to $1.65 = £1 in the fourth quarter. So the sterling price of North Sea oil turned out considerably higher than expected. North Sea oil and natural gas liquids (NGL) production in 1982 - at more than 103 million tonnes - was also considerably higher than expected, particularly in mature and tax-paying fields. These two factors also account for the upward revision to the estimate of revenues in 1982-83 compared with the Autumn Statement.

6. Oil and gas revenues in 1983-84 are now projected at £8 billion, which is about £1¾ billion higher than expected a year ago. The main reasons for this change are higher sterling oil prices, higher oil production in fields likely to pay tax over the period and lower capital spending. These factors are offset to the extent of about £100 million by the cost of the changes to the North Sea tax system announced by the Chancellor in his Budget.

Factors Determining Revenues

7. Projections of royalties and petroleum revenue tax (including advance payments) are made for each individual field. Corporation tax payments are calculated for individual companies operating in the North Sea. So the distribution of aggregate production and capital expenditure between fields and between companies will affect Government revenues. The next few paragraphs discuss the assumptions made about the main determinants of revenues (prices, production and capital spending), pointing out where changes since last year in the assumptions about the distribution of production or expenditure have been significant.

TABLE 1

TOTAL NORTH SEA OIL AND GAS REVENUES*

£ billion, current prices

	FSBR ≠ 1981	FSBR 1982	Autumn Statement	FSBR 1983
1981-82	5.9	6.4	6½	6.5
1982-83	6.7	6.2	7	8
1983-84	7.9	6.1	7½	8
1984-85	-	8.0	-	8
1985-86	-	-	-	9½

* The figures include receipts from royalties, Petroleum Revenue Tax (including advance payments) and Corporation Tax, before any set off in respect of Advance Corporation Tax (ACT). They also include receipts from Supplementary Petroleum Duty in 1981-82 and 1982-83. They do not include non-recurrent payments on the grant of licences.

≠ Updated to current prices; see Economic Progress Report, March 1982

TABLE 2

THE COMPOSITION OF NORTH SEA REVENUES

£ million, current prices

	Royalties		Supplementary Petroleum Duty		PRT ≠		Corporation Tax*		Total	
	FSBR 1982	FSBR 1983	FSBR 1982	FSBR 1983	FSBR 1982	FSBR 1983	FSBR 1982	FSBR 1983	FSBR 1982	FSBR 1983
1982-83	1330	1630	2040	2400	2290	3280	500	500	6160	7810
1983-84	-	1600	-	-	-	5250	-	1000	-	7850

≠ Including advance payments

* Before any set-off in respect of ACT

TABLE 3 OIL PRODUCTION FORECASTS*

million tonnes

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Forecasts made in:											
1975	17½	40	62½	85-95	100-130	125-160					
1976	15-20	35-45	55-70	75-95	95-115						
1977		40-45	60-70	80-95	90-110	100-120					
1978			55-65	80-95	90-110	100-120	105-125				
1979				70-80	85-105	95-115	115-140	115-140			
1980					80- 85	85-105	90-120	95-130	95-135		
1981						80- 95	85-110	85-115	90-120		
1982							90-105	90-115	95-125	95-130	
1983								95-115	95-125	95-125	85-120
Outturn	12.2	38.3	54.0	77.9	80.5	89.4	103.3+	-	-	-	-

* including natural gas liquids (NGLs) and onshore production.

\+ provisional.

i. The Price of Oil

8. The latest projections of Government revenues assume that for the rest of 1983 and 1984, the dollar prices of North Sea crudes will on average be around the levels proposed by BNOC to its customers on 18 February. From the end of 1984, North Sea oil prices are assumed to rise in line with world oil prices, which in turn are assumed to rise with world inflation.

9. These assumptions, however, imply a somewhat higher sterling oil price in 1983 then was assumed at the time of the 1982 Budget, for two reasons. First, the effective exchange rate for sterling is now lower than a year ago and is assumed in the projections to remain around the level in February 1983. Second, although dollar oil prices are now assumed to be lower than in last year's projections, the calculations also assume a higher value for the dollar against other currencies, including sterling. In 1984, the sterling oil price is now assumed to be lower than was the case a year ago, mainly because world oil prices are assumed to be lower.

ii Production

10 Table 3 sets out successive forecast ranges of total oil projections as published by the Department of Energy in its 'Brown Book' (Development of Oil and Gas Resources of the United Kingdom), and compares them with recorded production for the years to 1982. The table also includes the latest forecast ranges.*

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*Given by the Minister of State for Energy in answer to a Parliamentary Question on 11 March 1983.

11. As the table shows, forecasts of future production have been subject to wide margins of error. When North Sea production was building up, there was a marked tendency for recorded production to turn out lower than forecast. In 1981, however, recorded production was very close to the expected central estimate made at the beginning of the year, and within the range expected a year before that. In 1982 production turned out considerably above the expected central estimate made at this time last year (and well within the ranges expected in both the previous years). Production in existing fields has turned out much better than expected for technical reasons. Production in fields that started up production in 1982 was in general lower than expected because of commissioning delays.

12. The latest forecast ranges for North Sea oil production announced by the Minister of State for Energy are generally not very different from those made in the 1982 Brown Book. In 1983, the lower end of the range has been increased by 5 million tonnes, no change has been made to that in 1984 and in 1985 the top end of the range has been reduced. It is not possible to give a precise central estimate within these ranges, but the Department of Energy believes that, now that many of the mature fields in the North Sea are at or near peak production, the most likely outturn is now at around the centre of the forecast range.

iii Capital Spending and Other Costs

13 The projections of aggregate capital expenditure and operating costs are based on material supplied by the oil companies. The Department of Energy adjust this material to take account of

Continued...../8

independent information or a persistent tendency on the part of particular sources to over, or under, estimation.

14. The levels of operating costs and capital spending are important determinants of the size of tax receipts because they can be offset against Petroleum Revenue Tax (in those fields liable to PRT over the forecast period) and are allowable against Corporation Tax. So increases in projected operating costs and capital spending will, other things being equal, tend to reduce Government revenues.

15. Since the 1982 Budget there have been some reductions in the assumption about future capital spending. These changes account for a small part of the rise in the estimate of Government revenues in 1983-84 and are part of the reason why revenues in 1984-85 are expected to be the same as projected a year ago, in spite of the assumption of a lower sterling oil price.

The Effect of Changes in Oil Prices

16. Higher or lower world oil prices could be expected to have an effect on Government revenues from the North Sea. However, the exact effect of a given change in, for example, the dollar oil price will depend on whether the change is matched by changes in the price of North Sea oil and the extent to which the sterling exchange rate changes. Estimates can be made of the effect of a change in the sterling oil price. For example, if sterling oil prices were to turn out 1 per cent (or about £1½ a tonne)

Continued...../9

higher or lower than the assumption which underlies the projections of revenues in Tables 1 and 2, total North Sea revenues might be expected to be about £90 million higher or lower in 1983-84 and about £125 million higher or lower in 1984-85. The effect on the PSBR is likely to be less than this, because the wider effect of lower world and North Sea oil prices could be expected to lead to higher Government receipts from other sources.

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15 March 1983

THE BUDGET 1983: INDIRECT TAX

The Chancellor referred in his Statement to the presumption established in recent years that the excise duties should be adjusted broadly in line with the movement of prices from one year to the next. He proposes to follow the same approach this year.

2. The Chancellor's main indirect tax proposals are:

- Beer duty up about 1p a pint.
- Duty on table wine up about 5p a bottle.
- Spirits duty up about 25p a bottle.
- Cider duty up 1p a pint.
- Tobacco duty up 3p on a typical packet of 20 cigarettes but no increase for pipe tobacco.
- Petrol duty up about 4p a gallon.
- Derv duty up about 3p a gallon.
- VED on cars and light vans up £5 to £85 a year.
- VED rates up on selected groups of heavy lorries but reductions of around 10 per cent on lighter goods vehicles.

3. These duty increases are inclusive of the consequential increase in VAT, where applicable. The impact effect of the duty increases on retail prices is estimated at about 0.4 per cent. The increases are expected to yield £595 million in 1983-84 and £605 million in a full year. The increases in the duties on hydrocarbon oil (petrol, derv) take effect from 6 pm today. The increases in the duties on alcoholic drinks, along with the changes in VED rates, take effect from midnight tonight. The increase in tobacco duty takes effect from midnight 17 March.

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15 March 1983

THE BUDGET 1983: NATIONAL INSURANCE SURCHARGE

The Chancellor announced in his Budget Statement today that he is proposing to reduce the rate of National Insurance Surcharge from 1½ per cent to 1 per cent. This will take effect from 1 August.

2. The reduction will benefit private sector employers by about £215 million in 1983-84 and £390 million in a full year. Central government and nationalised industries will pay the new rate of 1 per cent but the savings to them will be offset by reductions in central government cash limits and nationalised industries' external financing limits. The reduction will not apply to local government in 1983-84.

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Notes for Editors

The NIS was introduced in April 1977 at a rate of 2 per cent. It was increased to 3½ per cent in October 1978. In the 1982 Budget it was reduced to 2½ per cent from August 1982. But to make the 1 percentage point reduction effective for the whole of 1982-83, the rate was temporarily reduced to 2 per cent. In the Autumn Statement the rate was reduced to 1½ per cent from April 1983.

2. The Autumn Statement also made a special reduction for 1982-83 which is approximately equivalent to a ½ percentage point reduction in the rate. This takes the form of a 3 per cent reduction in an employer's total 1982-83 liability for national insurance contributions (including employees' NIC) and NIS. Employers obtain this special reduction

either by deduction from their payments to the Inland Revenue in respect of NIC, NIS and PAYE or by repayment.

3. The overall 2½ per cent cut in rate since Government came to office is worth nearly £2 billion to private sector employers in a full year.

4. NIS is collected through the same machinery as Class 1 NICs. The change in the rate will necessitate the preparation and printing of new National Insurance tables. These tables will be distributed in sufficient time to allow employers to make their preparation before the new rate comes into effect on 1 August.

5. The treatment of the public sector is the same as happened following the 1982 Budget and Autumn Statement.

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15 March 1983

THE BUDGET 1983: ENTERPRISE AND SMALL FIRMS

In his Budget Statement today the Chancellor announced a series of measures designed particularly to help small businesses and to encourage enterprise and risk taking.

2. Each of the Chancellor's Budgets has contained such measures and those announced today will take the number of measures which the Government has introduced to assist small firms and enterprise to over 100. Among the most important measures announced are a new Business Expansion Scheme, which extends the life of the present Business Start-Up Scheme to April 1987 and applies it to investment not only in new trading companies but also to investment in existing qualifying unquoted trading companies; a reduction in the "small companies" rate of corporation tax from 40 per cent to 38 per cent, coupled with substantial increases in the "small companies" profits limits, changes which will assist small and medium-sized businesses with profits up to £500,000; and the nationwide extension from August 1983 of the Enterprise Allowance scheme.

3. Alongside the Business Expansion Scheme there are a number of other measures to help with business finance - new rules for the tax treatment of deep-discount stock, changes in the tax treatment of acceptance credits and interest on Eurobonds, and a £300 million increase in the ceiling for lending under the Loan Guarantee Scheme. The wider spread of share ownership will be assisted by improvements in the tax reliefs for profit sharing and share option schemes and by the extension of interest relief for borrowing to employee buy-outs. A change in the small workshop scheme will help with conversions of older premises into small units. In addition there are changes in the capital transfer tax and capital gains tax regimes, together with the announcement that two or three freeports are to be introduced on an experimental basis.

4. The main features of these proposals are described in the following paragraphs, with references where appropriate to the Inland Revenue press notices providing more detailed information. In total, the tax measures to assist enterprise and small firms announced in the Budget will have a revenue cost of some £110 million in 1983-84 and £275 million in a full year. The gross cost of the nationwide Enterprise Allowance scheme will be £25 million in 1983-84 and £29 million in 1984-85.

Business Expansion Scheme

5. In the 1981 Finance Act, a new income tax relief for individuals was introduced for investment by "outsiders" in ordinary shares issued in certain companies starting new trades. The relief applied to investment in qualifying trading companies which were broadly not more than 5 years old. The scheme, which is known as the Business Start-Up Scheme, applies to shares issued between 6 April 1981 and 5 April 1984.

6. In his Budget Statement the Chancellor announced important changes to this scheme. The life of the scheme will be extended for a further period to April 1987. And, from 6 April 1983, the coverage of the scheme will be greatly widened. It will apply not just to companies carrying on a new trade, but to a great number of existing unquoted trading companies as well. The extended scheme will be known as the Business Expansion Scheme. Full details will be contained in the Finance Bill.

7. The maximum allowable investment per individual in any year will be doubled from £20,000 to £40,000 and, as at present, relief will be given at the investor's full marginal rate of income tax (including investment income surcharge). As at present, the investor will need to keep his capital in the company for at least five years in order to retain full relief.

8. A number of other changes are being made to improve the scheme. In particular the present restriction which limits relief in total to 50 per cent of the company's issued ordinary share capital will be removed. Under the new scheme there will be similar arrangements to those at present for an investor to obtain relief where an approved fund invests in qualifying shares as his nominee. The cost of the new scheme will depend on take-up, but might be £25 million in 1983-84 and £75 million in a full year.

"Small companies" rate of corporation tax and profits limits

9. Where its profits are below a certain limit, a company pays corporation tax on its income at a specially reduced rate. This rate is being reduced from 40 per cent to 38 per cent. The limit up to which this rate applies is being increased from £90,000 to £100,000, double the figure when the Government took office. Where a company's profits are between

this lower limit and a higher limit, it pays corporation tax on its income at an average rate which gradually increases to the full rate, 52 per cent. The higher limit is also being increased, from £225,000 to £500,000, nearly six times the level it was when the Government took office. This means that the marginal rate of tax on profits between the two limits will come down from 60 per cent to 55½ per cent. The cost will be £40 million in 1983-84 and £70 million in a full year.

Enterprise Allowance

10. The Enterprise Allowance helps unemployed people to set up in business and has been available experimentally in five pilot areas since early 1982. Evaluation of these pilots is not yet complete. But public response to the scheme has been encouraging and there is already evidence that many of the new businesses are generating additional employment. The scheme is therefore being extended. The existing pilots will run on until the end of July 1983. From 1 August to end-March 1984 the allowance, which is £40 per week, will be available country-wide, within an overall cash limit of £25 million in 1983-84. This is enough to cover around 25,000 successful applications, over 10 times as many as under the pilot schemes. The allowance is payable for a full year and the scheme will cost a further £29 million in 1984-85. Because of savings in unemployment benefit, the net public expenditure cost is expected to be about two-thirds of the gross.

VAT registration and de-registration thresholds

11. The VAT registration thresholds (below which small traders are not obliged to register) will be increased from £17,000 to £18,000 taxable turnover a year. The de-registration threshold (for the voluntary de-registration of small traders) will be raised from £17,000 to £18,000 where past turnover is concerned and from £16,000 to £17,000 where estimated future turnover is concerned. This is the fourth successive Budget in which the thresholds have been raised and the increases will provide about 24,000 traders with the opportunity to de-register if they wish. The measure will cost £5 million in 1983-84 and in a full year.

Profit sharing and share option schemes

12. The Budget contains three measures to improve the tax reliefs for profit sharing and share option schemes.

13. First, the annual limit on the value of shares which can be allocated to an employee under an approved profit sharing scheme is at present £1,250. The limit is now being amended to include an alternative limit of 10 per cent of the employee's earnings, subject to an overall maximum of £5,000. Second, the £50 upper limit on monthly contributions by an employee under an approved savings-related share option scheme is being increased to £75. Third, the new instalment relief which was introduced in the 1982 Finance Act for share

options outside the approved savings-related schemes is being extended. Under the Budget proposal it will be possible to spread the income tax payable when an employee exercises such a share option over five years, rather than three years as at present. These changes will cost £20 million in 1983-84 and £35 million in a full year.

Employee Buy-Outs

14. Tax relief for interest is to be extended to borrowing for the purchase by employees of shares in an employee-controlled company as part of an employee buy-out. This will cost £1 million in 1983-84 and £2 million in a full year.

Capital transfer tax changes

15. Three changes are proposed for capital transfer tax. First, with some rounding up beyond that required by Section 91 of the 1982 Finance Act, the threshold and rate bands will be increased in line with inflation. The threshold for 1983-84 will be increased from the present level of £55,000 to £60,000. Second, there will be increases in the rates of certain business and agricultural reliefs. The relief for minority shareholdings in unquoted companies and the relief for tenanted agricultural land will both be increased from the present 20 per cent to 30 per cent. Third, payments will in future be able to be made by interest-free instalments over 10 years rather than 8 as at present. The measures will cost £22 million in 1983-84 and £55 million in a full year; further details are in a separate Inland Revenue press notice.

Capital gains tax

16. There are three changes proposed for capital gains tax in this context. First, as Section 80 of the 1982 Finance Act provides, the annual exempt amount will be increased in line with the RPI. For 1983-84 the exempt amount for individuals will be increased from its present level of £5,000 to £5,300. Second, there will be increases in a number of other CGT monetary limits - for example, the relief available for 'small part' disposals of land will be increased from its present level of £10,000 to £20,000. And third, there will be an increase from £50,000 to £100,000 in the maximum amount of CGT relief available when a business is disposed of on retirement. Details of these and other CGT changes are contained in a separate Inland Revenue press notice. The measures have a full year cost of £15 million.

Stock issued at a discount

17. New rules are being introduced for the tax treatment of stock issued by companies at a discount. The lender will be taxed on the accrued income on disposal or redemption of the stock. The borrower will get relief for the discount annually on an accruals basis. A separate Inland Revenue press notice gives detailed information. The change will cost about £15 million in a full year.

Acceptance credits

18. Where a trading company raises short-term finance by means of bills of exchange accepted by a bank, the discount it suffers on the bills is usually allowable as a trading expense under present law. Relief is, however, to be extended to cover certain cases where it is not already available - eg where the company is an investment company raising finance for its trading subsidiaries. Relief is also to be given for the incidental costs of raising finance in this way. A separate Inland Revenue press notice provides more detailed information. The measure will have a full year cost of £1 million.

Interest on Eurobonds

19. The rules for deduction of tax at source from interest are to be changed to permit interest on Eurobonds to be paid in certain circumstances without deduction of tax. The borrower will now be able to get relief for the interest paid. The measure will cost £2 million in a full year.

Loan Guarantee Scheme

20. The Loan Guarantee Scheme was introduced in the 1981 Budget and provides a Government guarantee on 80 per cent of each loan made by the participating financial institutions to small businesses. The total ceiling for lending under the scheme is to be raised by £300 million to £600 million and the scheme extended to certain tourist-related and business training activities. Under the scheme some 9,000 loans worth nearly £300 million have been made, over half going to new businesses.

De minimis limit for assessment of apportioned income

21. Under the close company rules, some or all of the investment income of close companies may be apportioned among the members of the company in proportion to their respective interests in the company. Any sum apportioned to an individual is treated as his income, and taxed accordingly. No tax is charged, however, if the amount apportioned to him does not exceed the lesser of £200 or 5 per cent of the amount apportioned to all shareholders. The £200 limit (which was last increased in 1973) will be increased to £1,000 in respect of apportionments made for accounting periods ending after 5 April 1983.

Small industrial workshop scheme

22. The 100 per cent initial allowance for small industrial workshops is being extended to cover all industrial units in a converted building where the average size of all those units does not exceed 1,250 sq ft. A separate Inland Revenue press notice provides detailed information.

Freeports

23. The report of the working party on freeports, under the chairmanship of the Economic Secretary to the Treasury, was published on 3 March. In his Statement, the Chancellor announced that the Government had accepted the report and will implement its recommendation for the introduction on an experimental basis of freeports in two or three locations.

24. Legislation will be introduced in the Finance Bill to enable selected freeport sites to be designated. There will be widespread consultation before the sites are chosen.

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66/88

NOTES FOR EDITORS

1. The main enterprise measures introduced in the 1982 Budget were improvements in the Business Start-Up Scheme, new arrangements to ease the tax charge for the purchase of own shares, changes to the tax reliefs for profit-sharing and share option schemes, and improvements in the reliefs for borrowing for investment in a close company, for pre-trading expenditure and for retirement annuities. A new relief for business contributions to approved enterprise agencies was introduced, while the ceiling for lending under the Loan Guarantee Scheme was also increased. The main measures in the 1981 Budget were the introduction of the Business Start-Up and Loan Guarantee Schemes, interest relief for loans to invest in partnerships and industrial co-operatives and an extension of the venture capital scheme introduced in the 1980 Budget. The 1980 Budget also included the introduction of Enterprise Zones and the small workshop scheme, together with a reduction in the "small companies" rate of corporation tax from 42 per cent to 40 per cent.

2. On 3 March the Parliamentary Under Secretary of State for Industry announced that a major campaign to publicise the assistance available to small businesses would commence on 18 March. The campaign will involve television and press advertising and will cost £2.5 million, which will be met from within departments' existing financial allocations for publicity.

3. General questions about this press notice should be addressed to the Treasury Press Office. Detailed questions about particular items shold be addressed as follows:

Business Expansion Scheme	Inland Revenue (01-438 6692/6706)
"Small companies" rate of corporation tax and profits limits	
Profit-sharing and share option schemes	
Interest relief for employee buy-outs	
Capital transfer tax measures	
Capital gains tax measures	
Stock issued at a discount	
Acceptance credits	
Interest on Eurobonds	
De minimis limit for assessment of apportioned increase	
Small industrial workshops scheme	
VAT registration and de-registration thresholds	Customs and Excise (01-626 1515, Ext 3030/3034)
Freeports	
Enterprise Allowance	Department of Employment (01-213 5020)
Loan Guarantee Scheme	Department of Industry (01-211 5492)

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15 March 1983

THE BUDGET 1983: INNOVATION AND TECHNOLOGY

In his Budget Statement today the Chancellor announced a number of measures - some public expenditure, some tax - designed to encourage innovation and advanced technology. The measures are briefly described below.

Public expenditure: SEFIS

2. The public expenditure measures will cost £185 million over the next three years. The main item is the revival of the Small Engineering Firms Investment Scheme (SEFIS), which will cost £100 million over three years. The first allocation of £20 million (subsequently increased to £30 million) announced in the 1982 Budget was quickly exhausted. A high proportion of the first allocation went to firms in the West Midlands: the re-opening of the scheme is expected to be of particular benefit to that region.

3. The Chancellor also announced further assistance to enable firms to evaluate the benefits of computer aids for production management and for the development of new software products. In addition, there will be a new scheme of grants to support the initial investment required to bring new and innovative products into production and an increase in expenditure on the Department of Industry's manufacturing and design advisory services. Details of all these measures will be announced by the Secretary of State for Industry during the Budget debates.

4. There are three tax measures, relating to capital allowances for rented teletext televisions and British films and the industrial buildings allowance.

Rented teletext

5. The 100 per cent first year allowances for rented teletext sets are being extended for a further year until May 1984. This will have a cost of £8 million in 1984-85 and £10 million in 1985-86. A separate Inland Revenue press notice gives more information.

British films

6. In addition, 100 per cent first year allowances for British-made films are being extended until 1987. This extends the special transitional treatment introduced in the 1982 Budget, when capital allowances were withdrawn from all other films. This will cost £30 million in 1985-86, £25 million in 1986-87 and £10 million in 1987-88, the last year of the relief.

Industrial Buildings Allowance

7. The proportion of the cost of an industrial building which can relate to a part used for non-industrial purposes is being increased from 10 per cent to 25 per cent. This is designed to help computer and other advanced technology industries, where considerable office space is often required immediately adjacent to the industrial or processing premises. The cost will be £10 million in 1984-85 and £25 milion in a full year. A separate Inland Revenue press notice provides more information.

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65/83

NOTES FOR EDITORS

1. The Small Engineering Firms Investment Scheme (SEFIS) was launched on 30 March 1982, following announcement in the 1982 Budget. It provided $33^1/_3$ per cent grants to small firms in the engineering industry to encourage them to modernise through investment in certain types of advanced equipment such as sequence controlled or computer numerically controlled metal working tools. The scheme received an exceptional response, and the initial £20 million allocation ws exhausted within two months. A further allocation of £10 million was also quickly exhausted, and there has been considerable demand for the scheme to be re-opened.

2. General enquiries on this press notice should be addressed to the Treasury Press Office. Detailed enquiries on SEFIS and other public expenditure measures should be addressed to the Department of Industry (212 5492) and detailed enquiries on the tax measures to Inland Revenue (01-438 6692/6706).

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15 March 1983

THE BUDGET 1983: HOUSING AND CONSTRUCTION

In his Budget Statement today, the Chancellor announced a number of measures designed to assist the housing and construction industries. Among the measures on the tax side, there will be an increase in the ceiling for mortgage interest relief to £30,000, together with changes to the stock relief scheme, the small industrial workshop scheme, the industrial buildings allowance and the development land tax regime. On the public expenditure side there will be additional capital allocations for 'enveloping' schemes and increased eligible expense limits for home improvement grants in 1983-84. The total cost of these measures will be £112 million in 1983-84, while the tax measures will have a full year cost of £100 million. The following paragraphs explain the main features of the measures, with references where appropriate to the Inland Revenue press notices providing further information.

Mortgage interest relief

2. The mortgage interest relief limit is to be raised from £25,000 to £30,000 for 1983-84. In addition, mortgage interest relief is to be extended to self-employed people who are under a contractual requirement to live in accommodation provided for them as part of the terms of their trade, but who are buying a house of their own. The capital gains tax exemption for owner-occupied houses is being similarly extended. Increasing the limit for the relief will cost £50 million in 1983-84 and £60 million in a full year. Extending the relief will cost £2 million in 1983-84 and £5 million in a full year.

Stock relief: houses taken in part-exchange

3. In future houses accepted by builders in part-exchange on the sale of a new house and held by them until they can be resold will qualify for stock relief. This will apply to transactions completed on or after Budget day where the purchaser to whom the part-exchange facility is offered is an individual buying for his or his family's use a new house which would have qualified for stock relief (under the present rules) before it was sold. The measure will cost £5 million in a full year.

Industrial buildings allowance

4. The proportion of the cost of an industrial building which can relate to a part used for non-industrial purposes without restricting the industrial buildings allowance for the building as a whole is being increased from 10 per cent to 25 per cent. The measure will cost £25 million in a full year. A separate Inland Revenue press notice provides further information. This is also one of the measures designed to assist innovation and advanced technology, on which there is a separate Treasury press notice.

Small industrial workshop scheme

5. The 100 per cent initial allowance for small industrial workshops is being extended to cover all industrial units in a converted building where the average size of all those units does not exceed 1,250 sq ft. A separate Inland Revenue press notice provides further details.

Development land tax

6. At present any development land tax liability on development for a developer's own use may be deferred, provided the development is started before 1 April 1984. This deferment facility will be extended to development for own use started before 1 April 1986. Further details are contained in an Inland Revenue press notice. The measure will cost £4 million in a full year.

'Enveloping' and home improvement grants

7. Local authorities will be given additional capital spending approval for any 'enveloping' schemes undertaken in 1983-84. In 'enveloping', local authorities undertake repairs to the external fabric of whole terraces or streets of run-down houses at no cost to the owner in order to avoid further deterioration and to improve the quality of the housing stock.

8. As already announced, the higher rates of home improvement grant introduced in the 1982 Budget are to be continued to the end of 1983-84. To make sure that grants cover the costs involved, the Chancellor announced that eligible expense limits are now to be increased by 20 per cent. These two measures are likely to lead to additional expenditure of £60 million in 1983-84.

9. Further measures are being announced today by the Secretary of State for the Environment to reduce the risk of local authorities underspending on capital programmes in 1983-84.

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15 March 1983

CHIEF SECRETARY'S MEMORANDUM ON THE SUPPLY ESTIMATES 1983-84

The Chief Secretary's annual Memorandum published today summarises particular aspects of the Supply Estimates. It includes:-

1. The Guide to Supply Estimates: previously appeared at the front of each Estimate booklet. This outlines the annual procedure by which most expenditure by government departments and certain related bodies is authorised by Parliament and describes the organisation and format of the Supply Estimates. It includes a glossary.

2. Tables summarising information in the main Estimates booklet:

Table 1a: a summary of the 1983-84 Supply Estimates, which shows:

- All votes
- Which are cash limited
- Actual spend in respect of each vote in 1981-82
- Total provision, and expected spend from each vote in 1982-83
- Provision in Supply Estimates now published for 1983-84
- How this provision is divided between public expenditure and other expenditure. So far as possible, the figures for 1981-82 and 1982-83 reflect the vote structure of 1983-84.

Table 1b is a summary table, at class level, which allows a comparison between the Supply Estimates and Cmnd 8789.

Table 1c and 1d set out the economic classification of Estimates, distinguishing those which form part of public expenditure.

Table 2 shows the provision made in Supply Estimates in 1982-83 and 1983-84 for pay and pension costs of central government departments, the armed forces, the national health service and other bodies classified as central government for the purposes of public expenditure.

Table 3 shows by department the staff numbers at 1 April 1983 and 1 April 1984 and pay costs provided for in 1983-84 main Estimates.

Table 4 provides a summary of receipts from the Funds of the European Community Institutions relevant to classes of Supply Estimates in 1983-84.

Table 5 shows the extent to which departments provide services to other departments without repayment or direct programme attribution, analysed by the main expenditure programmes which the services support. This table replaces the supporting services tables, one for each class of Estimates, which were previously included in Supply Estimates boolets.

Table 6 provides a summary of expenditure on government information services.

3. An Index to the Supply Estimates, which was previously published as a separate document.

NOTE:-

The expenditure shown against Class XII - Social Security does not reflect the arrangements for uprating benefits announced in the Budget, but is based on the conventional White Paper (Cmnd 8789) assumptions. These Estimates will be revised in due course.

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67/83

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Press and Information Office

PRESS NOTICE 809

15 March 1983

BUDGET 1983: VALUE ADDED TAX: REGISTRATION AND DEREGISTRATION

CHANGES IN THE LIMITS FOR REGISTRATION AND CANCELLATION OF REGISTRATION

1. An Order laid before the House of Commons today announced changes in the limits for VAT registration and cancellation of registration. Details are as follows:

(a) Registration The registration limit is being increased from £17,000 pa to £18,000 pa as from midnight tonight (the current single quarterly limit of £6,000 continues to apply).

(b) Cancellation of Registration

(i) The limit will be increased from £16,000 pa to £17,000 pa (inclusive of VAT) from 1 June 1983 for persons considering cancellation of their registration on the basis of their expected future turnover.

(ii) Persons will also be able to apply for cancellation of their registration after 1 June 1983 if they have been registered for two years and their turnover (inclusive of VAT) in each of those years has not exceeded £18,000 and provided they do not expect their turnover to go above £18,000 in the year then beginning.

(iii) It is estimated that 24,000 persons will be eligible to request cancellation of their registration as a consequence of these changes.

2. Public Notice Details of the changes in the registration and cancellation limits are contained in Customs and Excise Notice BN 1/83, copies of which will be available at all local VAT offices.

H M CUSTOMS & EXCISE
King's Beam House
Mark Lane
London EC3R 7HE
01-626 1515
Extensions 3004, 3030, 3034

Press and Information Office

PRESS NOTICE 810 — 15 MARCH 1983

BUDGET 1983: TOBACCO PRODUCTS

1. In his Budget Statement today the Chancellor of the Exchequer announced increases in the rates of duty on tobacco products. The new duty rates will represent additions (inclusive of VAT) to typical prices as follows:

Cigarettes:	3p per packet of 20.
Cigars:	2p per packet of 5 whiffs or 10 miniatures.
Handrolling tobacco:	5p per 25 gram pack.

The rate of duty on pipe tobacco has not been increased.

2. The changes will apply to goods cleared from midnight 17/18 March.

3. Revenue Effect. The estimated revenue yield from these changes (including the additional yield from VAT) is £95 million in 1983/84 and £100 million in a full year.

4. Public Notice. Details of the duty changes being made are given in Customs and Excise Notice BN 2/83.

Note to Editors

Duty rates are as follows:

		Old Rate	New Rate
Cigarettes	specific (per 1000) plus ad valorem	£20.68 21% of retail price	£21.67 21% of retail price
Cigars	per kilogram	£39.00	£40.85
Handrolling tobacco	per kilogram	£33.65	£35.40
Other smoking and chewing tobacco	per kilogram	£24.95	unchanged

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Press and Information Office

PRESS NOTICE 811 15 MARCH 1983

BUDGET 1983: ALCOHOLIC DRINKS

INCREASES IN DUTIES ON BEER, SPIRITS, WINE, MADE-WINE, CIDER AND PERRY

1. In his Budget Statement today the Chancellor of the Exchequer announced increases in the excise duties on alcoholic drinks.

The new duty rates will represent additions (inclusive of VAT) to prices as follows:

(a)	BEER:	about 1p on a pint of beer of average strength;
(b)	SPIRITS:	about 25p on a bottle of spirits;
(c)	WINE:	about 5p on a bottle of table wine and about 7p on a bottle of sherry;
(d)	MADE-WINE:	5p to about 6p on a bottle according to strength; and
(e)	CIDER AND PERRY:	1p on a pint.

2. These changes will apply to goods cleared from midnight tonight.

3. Revenue Effect. The estimated revenue yield from these changes (including the additional yield from VAT) is £140 million in 1983/84 and £145 million in a full year.

4. Public Notices. Details of the duty changes being made are given in Customs and Excise Notices BN 3/83 for beer, BN 5/83 for spirits, BN 4/83 for wine and made-wine and BN 6/83 for cider and perry.

Notes to Editors

(1) The detailed figures for additional revenue from the increases (including the extra yield from VAT) are as follows:

	1983/84 £m	Full year £m
Beer	85	90
Spirits	25	25
Wine and made-wine	25	25
Cider and Perry	5	5
	140	145

(2) The main duty rates are as follows:

	Old (£)	New (£)
Spirits (per litre of alcohol in the spirits)	14.47	15.19
Beer (per hectolitre)	20.40 plus 0.68 for every degree in excess of 1030°	21.60 plus 0.72 for every degree in excess of 1030°
Wine (per hectolitre)		
- light	106.80	113.00
- medium	137.90	145.90
- heavy	162.30	171.70
Made-wine (per hectolitre)		
- n.e. 10% alcohol	73.10	79.30
- 10% - 15% alcohol	103.80	109.80
- 15% - 18% alcohol	127.80	135.20
Cider and perry (per hectolitre)	8.16	9.69

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Press and Information Office

PRESS NOTICE 812

15 MARCH 1983

BUDGET 1983: HYDROCARBON OIL:
CHANGES IN EXCISE DUTIES ON ROAD FUEL, AVIATION GASOLINE, ETC

L. In his Budget Statement today the Chancellor of the Exchequer announced changes in the rates of duty on hydrocarbon oils etc.

2. Duty Increases. The duty increases will represent approximate additions (inclusive of VAT) to retail prices as follows:

a) Light oils (Mainly petrol), petrol substitutes and spirits used for power methylated spirits: 4p a gallon (0.9p a litre)

b) heavy oil used as road fuel (derv): 3p a gallon (under 0.7p a litre)

c) aviation gasoline (AVGAS) and gas for use as road fuel: 2p a gallon (0.44p a litre)

3. Effective date. All changes will apply to fuel cleared from refinery or bonded warehouse from 18.00 hours today.

4. Revenue effect. The estimated revenue yield from these changes (including the additional yield from VAT) will be about £230 million in 1983/84 and in a full year, of which about £190 million will come from light oil etc and £40 million from derv.

5. Duty on rebated oils. The rate of duty on fuel oil, gas oil and aviation turbine fuel (AVTUR) will remain at 0.77p a litre (3½p a gallon or, for fuel oil, about £8 per tonne). The rate of duty on domestic kerosene (including paraffin) will remain at 0.22p a litre (1p a gallon).

6. Public Notice. Details of the duty changes being made are given in Customs and Excise Notice BN 7/83.

NOTE TO EDITORS

Duty rates are follows:

		Old Rate (p)	New Rate (p)
(a) Light oils (except AVGAS)	per litre:	15.54	16.30
	per gallon:	70.65	74.10
(b) derv	per litre:	13.25	13.82
	per gallon:	60.24	62.83
(c) AVGAS and road fuel gas	per litre:	7.77	8.15
	per gallon:	35.32	37.05

The rates per litre are the legal rates; those per gallon are the nearest equivalent.

DEPARTMENT OF ENERGY

Thames House South, Millbank, London SW1P 4QJ.
Press Office Direct Line: 01-211 4545 Out of hours: 01-215 7877

PRESS NOTICE

Reference No 30

March 15, 1983

HELP FOR NEW OIL AND GAS FIELDS

Mr Nigel Lawson, Secretary of State for Energy, has decided to abolish all royalties payable by companies on future offshore oil and gas fields other than those in the Southern Basin.

This was announced in the Budget statement today by Sir Geoffrey Howe, Chancellor of the Exchequer, as part of a package of measures to encourage future offshore developments.

The new royalty concession will apply both to royalty paid in cash and taken in kind (ie in oil).

New fields wholly offshore and outside the Southern Basin of the North Sea whose development is approved by the Secretary of State on or after April 1, 1982 will not be subject to the requirement to pay royalty in cash or, alternatively, to deliver royalty in kind.

The licensees of the N Alwyn and Clyde fields for which development approval was given last autumn will be consulted as soon as possible on the changes in licence terms necessary to implement the abolition of the requirement to pay royalties. Comparable arrangements will be made for other new fields at the time development plans are formally submitted for the Secretary of State's approval.

Mr Lawson said today:

"The royalty concession, and the other measures announced by the Chancellor, are made after detailed study of the views expressed by the industry about lack of fiscal incentives to encourage development of the smaller, more marginal future generation of offshore fields. I now look for an early and positive response from the licensees concerned."

BACKGROUND NOTES

1. The Southern Basin fields excluded are those oil and gas fields situated wholly offshore and in designated areas East of the UK, South of 55°N and North of 52°N. The limited evidence available suggests that the Southern Basin fields are likely to be profitable on the basis of the present fiscal regime. However, the Government will be prepared to discuss with licence operators any new evidence they wish to submit which indicates that returns on future fields would not justify their development. If the Government is convinced that there is a case for extending concessions to the Southern Basin, it would do so for fields approved for development after Budget Day 1983.

2. The new royalty concession is not related to the provisions in Section 41(3) of the Petroleum and Submarine Pipelines Act 1975 which gives the Secretary of State discretionary powers to award tax-free refunds of royalty already paid where he considers it expedient to do so. Thus the new concession will apply automatically without the licensees having to satisfy the Secretary of State in each individual case of the need for it but there will be no question of the licensees concerned receiving royalty relief for the purposes of income tax, corporation tax and petroleum revenue tax.

3. For seaward licences issued under the first Four Rounds of licensing, royalty is payable by the licensees at the rate of 12½ per cent of the gross value (as determined for PRT purposes) of petroleum produced less, in each case, a sum in respect of the cost of conveying and treating that petroleum.

For seaward licences issued in the Fifth and later Rounds of licensing, royalty at the rate of 12½ per cent of the gross value (as determined for PRT purposes) of Petroleum is also payable but no deduction can be made for costs.

The model clauses incorporated in the licences empower the Secretary of State for Energy to require a licensee to deliver royalty in kind rather than in cash up to a maximum of 12½ per cent of petroleum won and saved from a licensed area during six monthly chargeable periods. These chargeable periods are also the accounting periods for settling cash royalty; they run from January 1 to June 30 and July 1 to December 31. At present royalty is taken in kind from the majority of producing fields on the UK Continental Shelf.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3x] 15 March 1983

PERSONAL TAX ALLOWANCES AND PAY AS YOU EARN: CHANGES FOR 1983/84

The Chancellor of the Exchequer proposed in his Budget Statement this afternoon increases in personal allowances and changes in the bands of taxable income to which the rates of tax apply. The details are as follows:-

Personal Allowances

	PAYE code ending in letter	Allowances/ Rates 1982/83	Proposed for 1983/84	Increase in code (x 10 = £ Increase in Allowances)
		£	£	
Single allowance or wife's earnings allowance	L	1,565	1,785	22
Married allowance or single allowance plus additional personal allowance (APA)*	H	2,445 (or 1,565 + 880 APA)	2,795 (or 1,785 + 1,010 APA)	35
Full single age allowance	P	2,070	2,360	29
Full married age allowance	V	3,295	3,755	46
Age allowance income limit		6,700	7,600	-
Widow's bereavement allowance		880	1,010	-

There is no proposal to change any other personal allowance.

* The APA is the allowance given to certain people who have single-handed responsibility for children. The single allowance and the APA together are equivalent in amount to the married allowance.

/Rates and bands

Rates and bands

	Income bands for 1982/83	Proposed for 1983/84
	£	£
* Basic rate band of income charged at 30 per cent	1-12,800	1-14,600
Higher rate band of income		
charged at 40 per cent	12,801-15,100	14,601-17,200
45 " "	15,101-19,100	17,201-21,800
50 " "	19,101-25,300	21,801-28,900
55 " "	25,301-31,500	28,901-36,000
60 " "	Over 31,500	Over 36,000
Investment Income Surcharge	0-6,250 Nil	0-7,100 Nil
	Over 6,250 15%	Over 7,100 15%

This notice explains the arrangements for putting these changes into effect through PAYE.

Increases in personal allowances and changes in bands of income chargeable

1. Tax offices will be sending to employers instructions to increase codes ending in L, H, P and V by the appropriate amounts shown above, to give effect to the increases in the personal tax allowances. These increased codes will generally take effect on the first pay day after 10 May. A revised coding notice is not issued to the taxpayer when a code is increased automatically by the employer in this way. Certain codes, including those which do not end in L, H, P or V, will however be reviewed and amended where necessary by the tax office. Details are given in paragraph 4 below.

2. New tax tables for the calculation of tax deductions will be issued covering the changes in the bands of income to which the rates of tax apply. These will be supplied to employers for use after 10 May.

Increase in income limit for age allowance

3. Where a taxpayer otherwise meets the conditions for age allowance but has a total income somewhat exceeding a specified amount, the age allowance is reduced on this account†. It is proposed to raise the income limit to £7,600. As part of the review described in paragraph 4 tax offices will be amending codes which at present include a reduced amount of age allowance, to take account of the increase in the income limit. Where

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* Wife's Earnings Election may be of advantage if a married couple have a joint gross income which exceeds £22,067.

† Where the total income for 1983/84 exceeds £9,040 (married) or £8,463 (single) no age allowance will be due.

/a taxpayer's

a taxpayer's income is such that no age allowance was given for 1982/83 but age allowance is now due, the tax office will revise the code as ecessary in the course of examining the 1983/84 tax return. Any taxpayer who is not getting age allowance at present and who expects to be entitled to age allowance following the proposed increase in the income limit, but who has not been asked to complete a 1983/84 tax return, should write to his or her tax office giving details of income and date of birth.

Coding changes carried out by the tax office

4. Some people have special PAYE codes, beginning with F or ending in T, and some have codes which call for special consideration as a result of the Budget proposals. These codes will be reviewed individually by the tax office. Where a change is due the tax office will revise the code and send notifications of the new coding to both the employer and the employee. These revised codes will generally take effect on the first pay day after 10 May and will include:

(a) Pensioners with prefix 'F' codes. 'F' codes call for tax to be deducted at a specific rate (which may be anywhere between the basic rate of 30 per cent and 55 per cent), and are used to collect the tax due on a National Insurance pension by way of PAYE deductions from pay or an occupational pension.

(b) Codes for employees liable to tax at higher rate(s) whose wives are working. A special coding adjustment to ensure that higher rate tax is correctly deducted is made for certain married men liable to tax at higher rate(s) whose wives are also working. This is because the tax tables would otherwise give both husband and wife the benefit of a full basic rate band. The adjustment (known as the "excessive basic rate adjustment"), which is normally made in the husband's code, will be revised by tax offices to take account of the changes in bands of taxable income and of the increases in personal allowances.

Mortgage Interest Relief

5. Changes affecting taxpayers with mortgages are covered in a separate Press Release ("Mortgage Interest Relief").

INLAND REVENUE
REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3x] 15 March 1983

WIDOW'S BEREAVEMENT ALLOWANCE

The Chancellor proposes in his Budget that Widow's Bereavement Allowance should be available to widows in the tax year following the year of bereavement, as well as the year of bereavement itself. The amount of the allowance will also be increased, from £880 to £1010.

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1. Widow's Bereavement Allowance was introduced in 1980 to assist widows in the period following the death of their husbands. It is at present available to a widow against her income during the period from the date of her husband's death to the end of that tax year. The amount of the allowance is at present £880 - the difference between the single and married man's allowances.

2. Extension of the allowance. Many widows do not have sufficient taxable income of their own in the year of bereavement to benefit from the allowance. The Chancellor's proposal to extend the relief to the following tax year as well will more than double the number of widows who benefit. The number of widows benefitting will be over 100,000, compared to the 45,000 who benefit from the relief at present. The extension of the relief will cost about £30 million in a full year. The extension will take effect from 6 April 1983, and will be available to widows who have been bereaved since 5 April 1982.

3. Increase in the amount of the allowance. The amount of the allowance will increase by £130, to £1010 - the difference between the single and married allowances under the new levels proposed by the Chancellor. This means that a widow's total allowances (including single allowance) will be the same as the married man's allowance in the year of bereavement and the following year. Widows with dependent children are also entitled to the additional personal allowance, which the Chancellor proposes should also be £1010 for the tax year starting 6 April 1983.

4. Tax Offices will review PAYE codes and will give the widow's bereavement allowance (at the increased amount) to anyone who was entitled to it in 1982/83 and has not remarried. Notifications of the new coding will be sent both to the widow and to the payer of her wages or pension. These revised codes will normally take effect at the same time as the other Budget changes in personal reliefs (ie the first pay day after 10 May 1983). Any widow who thinks she is entitled to the allowance for 1983/84 but who does not receive a revised code giving it should write to her tax office and say so.

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
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INLAND REVENUE
Press Release

[3x] 15 March 1983

MORTGAGE INTEREST RELIEF CEILING : CHANGES FOR 1983/84

The Chancellor proposed in his Budget to increase the limit on loans qualifying for mortgage interest relief from £25,000 to £30,000 for 1983/84. The Finance Bill will also contain provisions related to that increase dealing with the benefit from certain interest-free loans. This notice sets out the main points of the changes along with other effects on people with mortgages.

A. THE TAX RELIEF LIMIT

1. The tax relief for interest on loans for house purchase or improvement is given only to the extent that the amount on which the interest is payable does not exceed a limit. The limit for 1982/83 was £25,000 and the Chancellor proposes that for 1983/84 it should be increased to £30,000.

2. The £25,000 limit on loans which are made to persons aged 65 and over to purchase life annuities and which are secured on their home will also be increased to £30,000.

B. IMPLEMENTATION OF BUDGET CHANGES AFFECTING MORTGAGE INTEREST RELIEF

(i) The increase in the tax relief limit

3. Under the new scheme for mortgage relief at source, lenders were permitted to opt to bring loans over £25,000 into the scheme but were not required to do so. Where lenders have already opted to bring these loans into the scheme, they may recalculate borrowers' payments from 6 April to take account of the proposed increase in the £25,000 limit. Where lenders have not opted to bring over-£25,000 loans into the scheme, they may bring new loans made on or after 6 April into the scheme from the outset if they do not exceed the proposed new limit of £30,000. Existing loans which were above £25,000 at the relevant date laid down by the Income Tax (Interest Relief) Regulations 1982

(1982

(1982 SI 1236) will remain outside the new scheme for 1983/84, and relief will continue to be given through PAYE or tax assessments (see 4. below). Guidance will be issued shortly to lenders on the implementation of the increase in the tax relief limit.

(ii) Review of PAYE codes for 1983/84

4. Codes for employees with "large" mortgages. Tax offices will review cases where there are indications that the mortgage exceeds £25,000. Where the loan is within the new tax relief arrangements, any additional relief at the basic rate will be given by the lender and any additional relief in excess of the basic rate will be given in the PAYE code. Where the loan is not within the new tax relief arrangements, any additional relief will be given wholly in the PAYE code for 1983/84.

C. MORTGAGE INTEREST CEILING AND INTEREST-FREE LOANS

5. Where an employee gets a cheap or interest-free loan from his employer, the benefit of that loan, measured by reference to the "official rate" of interest (currently 12 per cent), is taxed as a benefit in kind. Where, however, interest on the loan would have qualified for tax relief under the normal interest relief provisions, eg for the purchase of a person's only or main residence, the benefit is exempt from tax. Following the increase in the mortgage interest ceiling, and subject to the following paragraph, no tax will be payable from 1983/84 in respect of such loans up to £30,000 instead of £25,000.

6. Excessive relief may, however, be obtained in a way that was not intended, when an interest-free loan is obtained before any interest-bearing loan. The Finance Bill will contain a provision to ensure that the new £30,000 ceiling applies to all loans, whether interest-free or interest-bearing. The new rules apply from 6 April 1983.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01–438 6692 OR 6706

[3x] 15 March 1983

MORTGAGE INTEREST RELIEF : CHANGES FOR 1983/84

The Chancellor proposed in his Budget to extend mortgage interest relief to certain self-employed taxpayers who are under a contractual obligation to live in "job-related" accommodation but are buying a home of their own. The details of the change are set out below, along with other points which are relevant to people with mortgages.

A. BUDGET CHANGE

People living in "Job-Related" Accommodation

1. Relief for mortgage interest paid by individuals is in general available only in respect of the borrower's main residence. Since 1977, relief has also been available in certain circumstances for employees in respect of a property which they are buying but which is not their principal residence because they live in accommodation provided by their employers in relation to their job. The capital gains tax exemption on gains from disposal of a main residence was also extended to cover these cases. But these provisions do not apply to people who are self-employed.

2. The Chancellor now proposes to extend the "job-related" reliefs for mortgage interest and capital gains tax to self-employed people under a contractual requirement to live in accommodation provided for them as part of the terms of their trade, profession or vocation but who are buying a home of their own. These provisions will apply with effect from 6 April 1983.

B. CHANGES PREVIOUSLY ANNOUNCED FOR 1983/84

3. For people with mortgages, tax deductions under PAYE from 6 April will be affected by two factors which are quite separate from the Budget changes.

/4.

4. First, PAYE code numbers for 1983/84 include an adjustment to recover excess mortgage interest relief given during 1982/83. The amounts of relief included in 1982/83 codes proved too high because of substantial falls in interest rates during the year. An Inland Revenue Press Notice on 11 August 1982 announced that because of the difficulties and inconvenience of reducing codes in the middle of the year, 1982/83 codes would be left unchanged, unless the taxpayer asked for an adjustment, and that the excess relief given during the year would be recovered by an adjustment in codes for 1983/84. Taxpayers affected will have had a notice of coding for 1983/84 showing the adjustment made to their code. The adjustment will increase tax deductions during 1983/84 to compensate for the excess relief given in 1982/83.

5. Second, the introduction of the new scheme for giving mortgage interest relief at source will mean that most people with mortgages will in future get their basic rate relief by a reduction in their mortgage payments rather than through PAYE. Their tax deductions will be higher than before, but their mortgage payments will be lower. The new arrangements will for most borrowers prevent underpayments or overpayments arising on future changes in interest rates. Higher rate relief will continue to be given separately through PAYE or tax assessments. The Financial Secretary will be writing to Members of Parliament about these changes.

C. IMPLEMENTATION OF BUDGET CHANGES AFFECTING MORTGAGE INTEREST RELIEF

Review of PAYE codes for 1983/84

6. Codes for employees liable to tax at higher rates who have a mortgage. The new scheme for mortgage relief gives basic rate relief at source. A coding adjustment (under the heading "Interest - Higher Rate Relief") has already been made in codes for 1983/84 to give relief in excess of the basic rate. Tax offices will review this adjustment in the light of the Budget changes in bands of taxable income, and will change codes when necessary.

D. MORTGAGE INTEREST RELIEF AT SOURCE - QUALIFYING LENDERS

7. The categories of lender who may be "qualifying lenders" within the scheme for mortgage interest relief at source are laid down in paragraph 14 of Schedule 7 to the Finance Act 1982. It is proposed to include a provision in the Finance Bill for a power for the Treasury to prescribe as qualifying lenders other bodies whose activities and objects qualify them for inclusion in the scheme. Lenders prescribed under the new power would enter the scheme in April 1984.

INLAND REVENUE

INLAND REVENUE Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDCN WC2R 1LB
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[3x] 15 March 1983

BENEFITS IN KIND, ETC

The Finance Bill will contain provisions dealing with a number of benefits enjoyed by directors and higher-paid employees by reason of their employment. The items affected are:

- scholarships provided for members of an employee's family;
- expensive houses provided for directors and others; and
- PAYE tax ultimately borne by the employer.

This notice describes the main points of the changes.

Scholarships

1. In December last year the House of Lords held that Section 375 of the 1970 Taxes Act, which exempts from income tax income from scholarships, applied also to exempt from tax benefits enjoyed by directors and higher-paid employees when their children received scholarships from a trust set up and funded by the parent's employer.

2. The Finance Bill will contain a provision which reverses that decision so that new scholarships awarded on or after 15 March 1983 under schemes like that considered by the House of Lords will give rise to a taxable benefit in kind for the parent. Existing awards are not affected so long as the scholar remains at the same educational establishment.

3. This proposal will not affect the scholarship income in the hands of the scholar himself, nor scholarships won in genuinely open competition, which will remain exempt.

4. Where an employer meets education costs incurred by an employee who is working abroad for a year or more the position will be unaffected by the proposals in the Finance Bill. Normally, an employee who is absent from the United Kingdom for a period of 12 months or more will qualify for 100% foreign earnings relief under Schedule 7 of Finance Act 1977.

/Directors'

Directors' Houses

5. Where a director or employee occupies a company house or flat rent-free or at a nominal rent he is liable to tax under Section 33 of the 1977 Finance Act unless he is in "representative occupation". The charge under Section 33 is based on the greater of the "annual value" of the property as defined in Section 531 of the Taxes Act 1970 and the rent paid by the "person providing the accommodation" - usually his employer - less any rent paid by the employee. (An employee is in "representative occupation" generally if it is necessary for the proper performance of his duties that he should reside in the property; or the accommodation is provided for the better performance of the duties of his employment and it is customary for employers to provide living accommodation for employees in his kind of employment).

6. The definition of "annual value" in Section 531 of the Taxes Act is broadly that which applies to determine the gross annual value for rating purposes. Where the property in question is large or expensive that value may fall far below current rental values. Cases have recently come to light where companies have purchased expensive properties for their directors' private occupation and the charge under Section 531 has been plainly inadequate. In some cases including some where the property was purchased from the director himself, the director has had an option to buy the property at some future date for the price paid by the company. In such cases the transaction amounts in effect to the granting of an interest-free loan of the purchase price.

7. Such transactions effectively both get round the Companies Acts prohibition on the making of interest-free loans to directors and avoid any charge under Section 66 of the Finance Act 1976 (taxation of beneficial loans to directors, etc). It is proposed that where from 6 April 1984 an employee or director occupies a company house the tax charge shall more closely reflect the true value.

PAYE Tax

8. The Finance Bill will contain a provision designed to cancel the tax advantage that can arise where an employer paying emoluments fails to deduct and account for PAYE tax at the proper time. It is proposed to ensure that where the tax is ultimately borne by the employer rather than the individual that tax is invariably treated as part of the individual's taxable income.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3x] 15 March 1983

BENEFITS IN KIND
CARS AND PETROL

The Chancellor proposes in his Budget that the amounts taxable as benefits in kind when a company car provided for a director or "higher-paid" employee is available for private use shall be increased for 1984/85 by approximately 15% overall. Similar increases are proposed in the scale relating to fuel provided for private motoring in such cases.

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1. The taxable cash equivalents of company cars and fuel used for private motoring are contained in Finance Act 1976 and may be varied by Treasury Order. It is proposed that Orders increasing all the scales will be laid before Parliament in the summer. The main scales (1983/84 in brackets) proposed for 1984/85 are as follows:

A. Car Scales
Cylinder Capacity

	£
Up to 1300cc	375 (325)
1301-1800cc	480 (425)
more than 1800cc	750 (650)

Cars with original market value over £16,000 (£14,000)

£16,001 - £24,000 (14,001 - 21,000)	1100 (950)
over £24,000 (£21,000)	1725 (1500)

B. Car Fuel Scales
Cylinder Capacity

	£
Up to 1300cc	375 (325)
1301 - 1800cc	480 (425)
more than 1800cc	750 (650)

2. The proposed changes will affect the liability to tax of directors, and employees earning £8,500 a year or more, who by reason of their employment are provided with cars which are available for private use.

/NOTES

NOTES FOR EDITORS

1. The scales give the amounts of the "cash equivalents" of the benefits, the amounts by which an individual's taxable income is increased. In terms of tax the average company motorist driving a 1600cc car will pay about £2.77 a week in tax for his car (double that if he gets petrol too) compared with £2.45 in 1983/84.

2. Both the car and car fuel scales are halved for the tool of the trade motorist who does 18000 business miles or more in the tax year. The car scale (but not the fuel scale) is increased by 50% if the car is a second company car or is driven for less than 2,500 business miles in the tax year.

3. Separate car scales apply to rotary-engined cars and to over-four-year-old cars. The latter are approximately two-thirds of the main scales shown above.

4. The car scales (which were introduced in 1977/78) are reduced pound for pound for contributions which the employee is required to make for his private use. The car fuel scale (which applies for the first time in 1983/84) is reduced to £Nil if the employee makes good all the fuel he uses for private journeys ("all or nothing"). Journeys between an individual's home and his normal place of work are regarded as private motoring.

5. Tax on car and car fuel benefits is mainly collected through employees' codes which are adjusted each year to take account of the cash equivalent of the benefits.

INLAND REVENUE
Press Release

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[3x] 15 March 1983

CAPITAL GAINS TAX

The Chancellor proposes in his Budget to make a number of changes to Capital Gains Tax. They are as follows:-

i. an increase in the annual exempt amounts in line with the Retail Prices Index. For 1983/84 an individual will be exempt on the first £5,300 and most trusts on the first £2,650, of capital gains;

ii. an increase from £50,000 to £100,000 in the maximum amount of the relief available for those who dispose of their business on retirement;

iii. an increase from £10,000 to £20,000 in the maximum amount of the relief for those who let part of their own house;

iv. an increase from £10,000 to £20,000 in the limit applying to the relief for small part disposals of land;

v. the abolition of the small gifts exemption and the facility for the payment of capital gains tax by instalments;

vi. a relaxation in the treatment of gains which arise on overseas bank accounts held by those who are resident but not domiciled in this country; and

vii. two changes to the provisions relating to settled property.

The Finance Bill will also contain administrative provisions enabling companies to have all their holdings of shares, and certain other types of assets, treated under special rules for the purposes of calculating the indexation allowance. This legislation was announced by the Financial Secretary on 23 December 1982.

Annual exempt amount

1. At present, an individual whose total net gains in a year of assessment do not exceed £5,000 is not liable to capital gains tax. This exemption is also available to the trustees of a settlement for a mentally disabled person or for a person in receipt of

attendance allowance, and to personal representatives for gains accruing to them in the year of death and in the two following years of assessment. For trustees of other settlements the exempt amount is £2,500.

2. Following the statutory indexation provisions introduced last year, it is proposed for 1983/84 to increase the exempt amount of £5,000 to £5,300 and that of £2,500 to £2,650. These increases are in proportion to the increase in the general index of retail prices between December 1981 and December 1982 (5.4%).

Retirement relief

3. At present, this relief provides an exemption of up to £50,000 of gains on the disposal of a business or of shares in a family trading company. A sliding scale gives a reducing measure of relief for those aged between 60 and 65. In relation to disposals taking place on or after 6 April 1983, it is proposed to increase the maximum amount of this relief to £100,000 with proportionate increases in the sliding scale.

Relief for resident landlords

4. This relief, which was introduced in 1980, gives a measure of relief from capital gains tax to those who let part of their own house. The relief is in respect of the gain made on the part of the house which is let, and is subject to an overriding limit of £10,000 or the amount of relief due on the remainder of the house. It is now proposed to increase this limit to £20,000 in respect of disposals on or after 6 April 1983.

Small part disposals

5. This relief removes the need for capital gains tax purposes of a valuation of an entire holding of land at the time of the disposal of a small part of it. In these circumstances, the sale proceeds are deducted from the original cost of the holding, thus deferring any charge on the sale proceeds until disposal of the entire holding. There is an upper limit on the value of the land disposed of which can qualify for this relief. At present this limit is £10,000, and it is now proposed to increase it to £20,000 for disposals on or after 6 April 1983.

Small gifts exemption and payment by instalments

6. There is at present an exemption from capital gains tax when an individual makes a gift of an asset the market value of which does not exceed £100. This is a purely administrative measure and the limit has remained unchanged since it was introduced in 1965. Since it is now of little practical significance, it is now proposed that it be abolished.

7. As a further measure of simplification, it is proposed to withdraw the facility to pay capital gains tax in instalments over eight years on the gift, or deemed disposal by trustees, of certain kinds of assets. The instalment facility is of little practical benefit now that these disposals attract rollover relief.

Overseas bank accounts

8. At present, gains realised on transactions through the overseas bank account of a person domiciled outside, but resident in this country are charged to capital gains tax whether or not the gains are remitted here. It is proposed that with effect from 6 April 1983, any such gains will be charged only if they are remitted to this country.

Settled property: acquisition costs: persons receiving assets from overseas settlements.

9. Hitherto the Inland Revenue have taken the view that Section 54 of the Capital Gains Tax Act 1979 (deemed disposal and reacquisition at market value by trustees when a beneficiary becomes absolutely entitled to trust assets) generally does not apply where the trustees are neither resident nor ordinarily resident in the United Kingdom. Their view has been that the acquisition cost for capital gains tax purposes of assets acquired by a beneficiary who becomes absolutely entitled to them under the terms of an overseas settlement is determined by Section 29A of the Capital Gains Tax Act 1979, which allows an acquisition cost equal only to the consideration, if any, actually given by the beneficiary for the assets to which he becomes absolutely entitled. Following recent further legal advice, however, the Inland Revenue now consider that the better view is that Section 54 does apply. Consequently such a beneficiary will be deemed to have acquired assets to which he becomes absolutely entitled at their market value.

10. The Chancellor now proposes in his Budget that, with certain exceptions (see next paragraph) the acquisition cost of trust assets to which a beneficiary has become absolutely entitled as against trustees who are neither resident nor ordinarily resident in the United Kingdom will not be determined by Section 54 of the Capital Gains Tax Act 1979. As a general rule, therefore, assets received by such a beneficiary will have an acquisition cost in his hands equal to the consideration, if any, given by him. The new rules will apply with effect from 6 April 1983.

11. Full details of the exceptions to the general rule described in paragraph 10 above will be available when the Finance Bill is published. But the intention is that Section 54 should continue to apply to assets held in settlements which fall within Section 80, Finance Act 1981, and ~~broadly~~ to assets held in settlements set up overseas by will or on an intestacy.

Non Resident Settlements: definitions of "Settlor" and "Settlement"

12. It is proposed with effect from 6 April 1983 to define the terms "settlor" and "settlement" in Section 80 of the Finance Act 1981 by reference to the income tax definitions contained in Section 454(3) of the Income and Corporation Taxes Act 1970. Section 80 will however continue to apply to non resident settlements created by will or on an intestacy.

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15 March 1983

THE BUDGET 1983: TAX MEASURES TO ASSIST CHARITIES

In his Budget Statement today the Chancellor announced three tax changes to assist charities. These are briefly described below.

Capital Transfer Tax

2. At present transfers to a charity made within one year of death are exempt up to a total of £250,000. For transfers made on or after Budget day this limit is to be entirely removed; as a result all outright gifts and bequests to charities will in future be exempt. A separate Inland Revenue press notice covers this and other changes in capital transfer tax. The change will have a full year cost of £1 million.

Covenants

3. The Finance Act 1980 provided for income tax relief at rates above the basic rate on covenanted payments to charities by individuals. This was subject to a ceiling of relief on payments of £3,000 a year. This ceiling of relief will be raised to £5,000 a year. The change will take effect for 1983-84 and subsequent years of assessment in relation to payments made after 5 April 1983. All the other conditions for the relief will continue to apply. The change will have a full year cost of £3 million.

Secondment of staff

4. At present a company loses tax relief when it makes available to a charity on a temporary basis the services of one of its employees. This is because of the general rule that a company may deduct for tax only expenditure incurred wholly and exclusively for the purpose of its business. Under present law the salary of a seconded employee is not allowable because it does not satisfy this business purpose test. The Chancellor announced that an exception to the general rule will provide tax relief for the employee's salary costs which a company continues to meet during the period of secondment to the charity. The new rule will apply to costs incurred on or after 1 April 1983.

NOTE TO EDITORS

The Chancellor's previous Budgets have similarly contained measures to assist charities and charitable giving. The 1982 Budget made documents transferring assets to charities exempt from stamp duty and extinguished charities' deferred development land tax liability on land developed for its own use. The 1981 Budget provided new or extended VAT reliefs for the disabled and charities and relaxed the conditions to be satisfied by trusts for the disabled in order to obtain the capital gains annual tax exemption applicable to individuals. The measures in the 1980 Budget included a reduction in the minimum period required for deeds of covenant in favour of a charity to qualify for tax relief; an extension of tax relief on covenanted payments to charities by individuals to the higher rates of tax and the investment income surcharge; made clear that gifts to

/charities

charities by business were tax deductible if made wholly and exclusively for the purposes of the business; and exempted from stamp duty covenants for annual payments out of income in favour of charities. The limit for exemption from capital transfer tax on gifts within a year of death was twice lifted in these years.

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[3x] 15 March 1983

CAPITAL TRANSFER TAX

NEW BANDS

The Chancellor proposes in his Budget to increase the starting point at which capital transfer tax first applies and introduce new bands where tax is chargeable. The rates of tax are unchanged.

The new bands broadly reflect the change in the retail prices index over the past year with some rounding up of the figures to produce a better rate schedule.

THE NEW BANDS

The Finance Act 1982 made provision for the capital transfer tax bands to be adjusted annually in line with the change in the retail prices index over the preceding year. Those indexed bands are set out in a Treasury order being made today.

Indexation is, however, subject to Parliament's overriding right to determine differently. The new bands proposed by the Chancellor are broadly in line with the change in the retail prices index over the year ending December 1982, with some further rounding up of the figures over and above that required by the provision for automatic indexing.

The pre-Budget and post-Budget capital transfer tax scales, both for transfers on death and during life, are set out in the tables overleaf, together with the effect of the proposed changes on specimen estates. The tables also show the bands what would have applied had last year's bands been adjusted more precisely to reflect the change in prices over 1982.

The new bands apply in respect of transfers made on or after Budget Day.

Tables I and II/

Table I

RATES OF CAPITAL TRANSFER TAX

Death rate	Life rate	Range (£'000) to which tax rate applies: Pre-Budget Scale	Indexed Scale	Post-Budget Scale
%	%	£'000	£'000	£'000
Nil	Nil	0- 55	0- 58	0- 60
30	15	55- 75	58- 80	60- 80
35	17½	75- 100	80- 106	80- 110
40	20	100- 130	106- 138	110- 140
45	22½	130- 165	138- 174	140- 175
50	25	165- 200	174- 211	175- 220
55	30	200- 250	211- 264	220- 270
60	35	250- 650	264- 686	270- 700
65	40	650-1,250	686-1,318	700-1,325
70	45	1,250-2,500	1,318-2,636	1,325-2,650
75	50	2,500 upwards	2,636 upwards	2,650 upwards

EFFECT OF PROPOSED CHANGES

Table II

Death Rates

Size of Estate	Pre-Budget Liability	Liability if Indexed	Reduction		Post-Budget Liability	Reduction *	
£	£	£	£	%	£	£	%
100,000	14,750	13,600	1,150	7.8	13,000	600	4.4
150,000	35,750	33,900	1,850	5.2	33,000	900	2.7
250,000	87,500	84,650	2,850	3.3	83,250	1,400	1.7
500,000	237,500	233,950	3,550	1.5	232,250	1,700	0.7
1,000,000	555,000	549,650	5,350	1.0	547,250	2,400	0.4
2,500,000	1,592,500	1,583,750	8,750	0.5	1,581,000	2,750	0.2
5,000,000	3,467,500	3,451,950	15,550	0.4	3,448,500	3,450	0.1

Lifetime Rates

Size of Estate	Pre-Budget Liability	Liability if Indexed	Reduction		Post-Budget Liability	Reduction *	
£	£	£	£	%	£	£	%
100,000	7,375	6,800	575	7.8	6,500	300	4.4
150,000	17,875	16,950	925	5.2	16,500	450	2.7
250,000	45,000	43,300	1,700	3.8	42,375	925	2.1
500,000	132,500	130,100	2,400	1.8	128,875	1,225	0.9
1,000,000	325,000	320,800	4,200	1.3	318,875	1,925	0.6
2,500,000	987,500	979,900	7,600	0.8	977,625	2,275	0.2
5,000,000	2,237,500	2,223,100	14,400	0.6	2,220,125	2,975	0.1

(* over indexed reduction)

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[3x] 15 March 1983

CAPITAL TRANSFER TAX

MISCELLANEOUS CHANGES

The Chancellor proposes in his Budget a number of detailed changes to the capital transfer tax code. They are as follows:-

(i) increases in the rate of relief for transfers of minority holdings in trading companies and tenanted agricultural land;

(ii) extension of the period over which the capital transfer tax attributable to certain property may be paid in instalments;

(iii) removal of the ceiling on the exemption for gifts or bequests to charities within one year of death;

(iv) abolition of the special rule determining the domicile for capital transfer tax purposes of emigrants from the United Kingdom to the Channel Islands and the Isle of Man;

(v) clarification of rules governing the incidence of capital transfer tax where there are no discernable testamentary directions; and

(vi) three changes relating to settled property.

Business and agriculture relief

For the purpose of charging capital transfer tax the value of a minority holding in an unquoted company is reduced by 20%; the value of tenanted agricultural property is likewise reduced by 20%. In each case this relief is to be increased to 30%. The increased rate of relief will apply to transfers of qualifying property made on or after Budget day.

/Payment by instalments

Payment by instalments

The capital transfer tax attributable to certain property may be paid in 8 annual or 16 half-yearly instalments. The main categories are land, businesses and share holdings in unquoted trading companies and timber. The number of instalments in which tax may be paid is to be increased from 8 to 10 and the facility to pay in half yearly instalments removed.

Charity Exemption

Transfers to a charity made within one year of death are exempt up to a total of £250,000. For transfers made on or after Budget day this limit is to be removed. As a result all outright gifts and bequests to charities will in future be exempt from CTT.

Domicile

A person who is domiciled in the United Kingdom is liable to capital transfer tax on the transfer of property wherever situated. If he is domiciled outside the United Kingdom he is liable only on transfers of property in the United Kingdom. There are special rules for determining a person's domicile for capital transfer tax purposes. In general a person is treated as being domiciled in the United Kingdom if he was so domiciled within three years of the transfer. As an exception a person who subsequently to being domiciled in the United Kingdom becomes domiciled in the Channel Islands or the Isle of Man is treated as being domiciled here without limit of time.

The Chancellor proposes, with effect from Budget Day to bring the treatment of those becoming domiciled in the Channel Islands or the Isle of Man into line with those becoming domiciled elsewhere abroad.

Incidence of tax on death

There are some cases in which the deceased has given no indication of how the burden of capital transfer tax is to be allocated among the items of property in the estate. The practice has been that in those circumstances the tax attributable to free personal property in the United Kingdom is treated as a general expense of the estate, but that attributable to land is borne by the land itself.

The Court of Session in Scotland held recently that the tax attributable to land should also be treated as a general expense. That decision has created uncertainty elsewhere in the United Kingdom. The Finance Bill will therefore contain provision to apply the rule as laid down for Scotland by the Court of Session to the rest of the United Kingdom.

/Settled property

Settled property

The Chancellor proposes to make three changes which relate to the new rules for discretionary trusts introduced by the Finance Act 1982. These are:-

(i) Excluded property held in a special trust

Under the new discretionary trust rules tax is charged at a time based tapered flat rate when property leaves a special trust (eg a temporary charitable trust or an employee trust) unless the property goes to an exempted recipient (eg a charity or an employee). It is proposed that, with effect from 8 March 1982, the period during which a special trust held excluded property (eg land outside the United Kingdom held in a settlement made by a person domiciled outside the United Kingdom) is to be disregarded in calculating the rate of tax.

(ii) Property moving between settlements

Section 121 of the Finance Act 1982 provides that if property moves directly from one settlement to another it is treated as remaining comprised in the first settlement for the purposes of the new discretionary trust rules. The Section applies to movements of property between settlements after 9 December 1981. It is proposed to provide with effect from Budget day that it will not apply in certain cases where a reversionary interest under a settlement was settled on discretionary trusts before 10 December 1981.

(iii) Collection of additional tax on chargeable events affecting settled property.

The capital transfer tax code contains provisions (Paragraph 23, Schedule 4, Finance Act 1975) which empower the Board of Inland Revenue, subject to certain conditions, to adjust liabilities and collect additional tax, with interest, in cases where too little tax has been paid. The power does not extend to cases where tax already paid has been accepted in full satisfaction of the liability, and more than six years have elapsed from the date of payment; in the case of fraud, wilful default or neglect, the six year period runs from the time the fraud etc became known to the Board. These provisions as they stand are not wholly adequate for the new discretionary trust rules under which the rate of tax charged on a trust may be affected by transfers made by a settlor. It is therefore proposed with effect from 1 April 1983 to make Paragraph 23 cater additionally for the case where additional tax is due because of fraud, wilful default or neglect by the settlor of a discretionary trust.

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[3x] 15 March 1983

INDUSTRIAL BUILDINGS ALLOWANCE: i. INCREASE IN NON-INDUSTRIAL SPACE

ii. SMALL INDUSTRIAL WORKSHOP SCHEME: CONVERSION OF OLD BUILDINGS: AVERAGING

In his Budget, the Chancellor proposes two changes in the industrial buildings allowance:

i. An increase from 10 per cent to 25 per cent in the proportion of the cost of an industrial building which may relate to parts of the building used for non-industrial purposes, without the industrial buildings allowance on the building as a whole being restricted.

ii. An extension of the 100 per cent initial allowance for small industrial workshops to all industrial units in a converted building, if the average size of the industrial units in the building does not exceed 1250 square feet.

Increase in non-qualifying expenditure

1. The industrial buildings allowance - consisting of an initial allowance of 75 per cent and annual writing down allowances of 4 per cent - is given on buildings which are used for industrial purposes.

2. At present, a part of an industrial building may be used for non-qualifying (ie non-industrial) purposes, without any restriction being made in the allowance for the building as a whole, so long as the expenditure on that part does not exceed 10 per cent of the expenditure on the whole building. Where the expenditure on the non-qualifying part exceeds 10 per cent, only the expenditure on the industrial part qualifies for the allowance.

3. The Chancellor proposes to increase to 25 per cent the proportion of the expenditure which may be incurred on the non-qualifying part, without restriction of the allowance. Above 25 per cent, only the expenditure on the industrial part will qualify for the allowances.

/Small

Small industrial workshop scheme

4. Under the small industrial workshop scheme, which was introduced in 1980, small industrial units qualify for 100 per cent initial allowance (instead of the normal 75 per cent initial allowance). The original scheme, which applied to workshops of up to 2500 square feet, runs until 26 March this year; but it was extended last year until 26 March 1985 in respect of very small units not exceeding 1250 square feet.

5. The Chancellor's proposal relates to self-contained workshops resulting from the conversion of existing buildings, such as old factories, mills and warehouses. In the case of a conversion, as opposed to the construction of a new building, there may be technical reasons, to do with the architecture of the building, why one or more of the workshops cannot be designed small enough to come within the space limit. The Chancellor proposes that, from 27 March 1983, where the average size of all the industrial units in a converted building does not exceed 1250 square feet, the expenditure on an industrial unit in that building which exceeds 1250 square feet will also qualify for the 100 per cent initial allowance.

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[3x] 15 March 1983

CAPITAL ALLOWANCES FOR RENTED TELETEXT SETS

The Chancellor proposes in his Budget that rented teletext sets should continue to qualify for 100 per cent first year allowances until June 1984.

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1. Under the changes to the leasing rules introduced in 1980, the first year allowances for television sets purchased by traders for rental are being phased out. Thus, from 1 June 1982, the 100 per cent first year allowance was reduced to 75 per cent, and from 1 June 1983 is being reduced to 50 per cent. From 1 June 1984, ordinary television sets - like other consumer goods rented to private individuals - will qualify for 25 per cent annual writing-down allowances.

2. Special transitional provisions apply, however, to teletext and viewdata sets. For viewdata sets, the 100 per cent first year allowance runs on to June 1984. In his Budget last year, the Chancellor extended until June 1983 the period during which 100 per cent first year allowances run on for teletext sets. The present proposal will put teletext on the same basis as viewdata - ie, 100 per cent first year allowances continuing until June 1984, 75 per cent first year allowances until June 1985, and 50 per cent first year allowances until June 1986.

Teletext is a method of transmitting "frames" of information, using television broadcast transmissions. The present services are called Ceefax (BBC) and Oracle (ITV).

Viewdata is a system for transmitting information stored in a computerised data bank by telephone lines, and displaying it on a television screen at the command of the user. Prestel is the name of the Post Office service.

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[3x] 15 March 1983

STOCK RELIEF : HOUSES TAKEN IN PART-EXCHANGE BY BUILDERS

The Chancellor proposes in his Budget to make changes to the stock relief scheme so that houses accepted by builders in part-exchange on the sale of new houses will in future qualify for stock relief subject to certain conditions.

Background

1. Stock relief is a relief which a business can claim for the effect of price changes, as measured by a special "all stocks" index, on the value of its qualifying trading stocks at the start of its period of account. The relief is deducted in calculating the tax liability of the business for that period.

2. At present land and buildings qualify for stock relief only if they are bought by a builder for development. Many housebuilders now operate schemes under which prospective buyers of new houses are offered part-exchange facilities. At present houses which builders accept in these circumstances and hold for resale do not normally qualify for stock relief, because they are usually sold without being redeveloped.

Proposed change

3. The Chancellor proposes to widen the stock relief scheme so that houses accepted in part-exchange by builders from individuals will in future qualify for stock relief provided two main conditions are satisfied. First, the part-exchange must be associated with the sale by the builder to the individual or individuals of a new or substantially reconstructed property ie one which would have qualified for stock relief had the builder retained it. Second, the property sold to the individual must be for the use of the purchaser or his family as a dwelling-house.

Effective date

4. These changes will apply to houses accepted in part-exchanges effected in connection with sales by builders which take place on or after Budget Day.

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[3x] 15 March 1983

EXTENSION OF CARRY-BACK PERIOD FOR SURPLUS ADVANCE CORPORATION TAX

The Chancellor proposes in his Budget to progressively extend the period over which advance corporation tax (ACT) which a company is unable to set against its corporation tax liability on its current income (surplus ACT) may be carried back and set against tax liabilities of earlier years. From 1 April 1984 the maximum period over which surplus ACT may be carried back - at present two years - will be gradually extended, so that for accounting periods ending on or after 1 April 1987 a carry-back of up to six years will be allowed.

Background

1. When a company makes a "qualifying distribution", for example by paying a dividend, it has to pay ACT equal to a proportion of the distribution - so a company paying a dividend of £70 would at present be liable to ACT of 3/7ths x £70 = £30. The ACT paid on distributions made in a company's accounting period may then be set-off against its liability to corporation tax for that accounting period. But the amount of ACT which may be set-off in this way is limited to a maximum of an amount of ACT which, together with its associated dividend, equals the company's taxable income for that accounting period. If the ACT paid exceeds this amount, the excess is known as "surplus ACT".

2. A company may claim that this surplus ACT be treated as if it were ACT paid on distributions made in accounting periods beginning in the two years preceding that accounting period so that it can be set-off - again within the limit mentioned above - against the corporation tax charged for those periods. In other words, the surplus ACT can be carried back for up to 2 years. Any surplus ACT still remaining is then carried forward and treated as if it were paid on distributions made in the next accounting period.

Proposed change

3. The Chancellor proposes to extend the carry-back period from two years, as at present, to six years. This change will be achieved by progressively lengthening the carry-back period for accounting periods ending on or after 1 April 1984, as shown in the table below:

Accounting period ending	Carry-back period
Between 1 April 1984 and 31 March 1985	3 years
Between 1 April 1985 and 31 March 1986	4 years
Between 1 April 1986 and 31 March 1987	5 years
On or after 1 April 1987	6 years

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[3x] 15 March 1983

CORPORATION TAX : ORDER OF SET-OFF OF ADVANCE CORPORATION TAX AND DOUBLE TAXATION RELIEF

The Chancellor proposes in his Budget to make changes to the rules governing the set-off of Advance Corporation Tax (ACT) and credit for foreign tax against the corporation tax charged on companies' profits. The order in which the two reliefs are set against corporation tax is to be reversed to give companies more scope to utilise credit for foreign tax.

Background

1. At present a company with income which has already borne foreign tax may, in general, claim relief for the foreign tax against its corporation tax liability. The relief is given by crediting the foreign tax paid against the corporation tax charged on the income. The measure of income for this purpose is usually the total income from the foreign source before deduction of foreign tax, although in the case of foreign dividends the foreign tax on the profits out of which the dividend is paid can in certain circumstances also be taken into account.

2. The credit for foreign tax paid which is given in this way is however limited to the amount of UK corporation tax attributable to the income which has borne the foreign tax. At present, this amount is the net amount of corporation tax as reduced by set-off of ACT.

3. Where a company has more than one source of income and has ACT which has to be allocated against corporation tax attributable to these sources for the purpose of calculating the net corporation tax against which credit for foreign tax can be set, the ACT can be allocated as the company chooses, with one restriction. This is that the amount allocated against corporation tax attributable to any source cannot exceed the ACT appropriate to a distribution which, together with that ACT, would equal the income from that source.

Proposed change

4. The Chancellor proposes to amend the rule described in paragraph 2 above. In future, a company will be able to set double taxation relief (DTR) against the corporation tax which is attributable to income which has borne foreign tax, before any ACT set-off.

/5.

5. The rule described in paragraph 3 above which limits the ACT that can be allocated against CT attributable to any income will remai but with a consequential amendment. Where the corporation tax attributable to any income is reduced by credit for foreign tax below the amount of ACT which together with its associated distribution equals the amount of that income, then the ACT set-off is not to exceed the corporation tax charge as so reduced. The aggregate amount of ACT allocated under these rules then becomes the maximum which can be set against the company's corporation tax liability on its income.

6. The effect of the proposed change is to absorb credit for foreign tax which is lost under the present rules thereby releasing ACT for alternative use.

7. The change applies to company accounting periods ending on or after 1 April 1984.

Examples

8. Example 1 below illustrates the working of the present system in the case of a company with UK income and two sources of foreign income bearing foreign tax at different rates. Example 2 shows how the proposed changes will affect the position. In these examples the rate of corporation tax is assumed, for illustrative purposes, to be 50% and the rate of ACT is taken as 3/7ths. The company has paid a dividend of £2800 on which the ACT is £1200.

Example 1 (Present system)

	UK Income	Foreign Interest (foreign tax 10%)	Foreign Dividend (foreign tax 45%)	Total
Income chargeable to CT	2000	1000	1000	4000
CT (assumed rate 50%)	1000	500	500	2000
ACT (Maximum)	600	300	300	1200
	400	200	200	800
Credit for foreign tax	-	100	*200(limit)	300
Net CT liability	400	100	NIL	500

*The full foreign tax is 450 so that 250 is wasted.

/Example 2

Example 2 (Proposed change)

	UK Income	Foreign Interest (foreign tax 10%)	Foreign Dividend (foreign tax 45%)	Total
Income chargeable to CT	2000	1000	1000	4000
CT (assumed rate 50%)	1000	500	500	2000
Credit for foreign tax	-	100	450	550
	1000	400	50	1450
ACT	600	300	**50 (limit)	950
Net CT liability	400	100	-	500

** The full foreign tax credit has been allowed and ACT of 250 is saved for alternative use. In effect what would have been wasted foreign tax credit in Example 1 is converted to surplus ACT in Example 2.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3x] 15 March 1983

COMPANY FINANCE: EUROBONDS AND ACCEPTANCE CREDITS

The Chancellor proposes in his Budget to introduce new rules

(A) to enable companies to pay interest on Eurobonds without deduction of tax, and to receive tax relief for the interest;

(B) to provide relief for discounts suffered by companies on bills of exchange accepted by banks (acceptance credits).

A. Eurobonds

1. In January the Inland Revenue published a consultative document (Tax Treatment of Interest Paid by Companies to Non-Residents) outlining possible changes to enable UK companies to pay Eurobond interest to non-residents without deduction of tax.

2. The Chancellor proposes to introduce legislation in the Finance Bill to permit companies to pay interest on bearer bonds without deduction of tax if the bonds are quoted on a recognised stock exchange in the UK or overseas and the interest is

(i) paid through an overseas paying agent, or

(ii) paid through a UK paying agent and it is shown that the owner of the bonds is not resident in the UK.

3. The provisions governing relief for interest (Section 248, Income and Corporation Taxes Act 1970) will be amended to enable companies to obtain relief for interest paid gross under the new rule.

4. The new rules will apply to interest paid after the passing of the Finance Bill.

B. Acceptance Credits

5. Where a trading company raises short-term finance by means of bills of exchange accepted by a bank, the discount it suffers on the bills is usually allowable as a trading expense under present law. The Chancellor is proposing to extend relief to cover certain cases where it is not already available - for example where the company is an investment company raising finance for its trading

/ subsidiaries,

subsidiaries, or where a trading company is raising finance for capital purposes. Relief is also to be given for the incidental costs of raising finance in this way. Relief will be given in respect of discount on bills becoming payable, or incidental costs incurred, on or after 1 April 1983.

NOTES FOR EDITORS

Eurobonds

The proposed changes will enable UK companies to issue Eurobonds. The existing rules on deduction of tax effectively prevent this because the Eurobond market deals in bearer bonds and interest is paid gross. This means that at present UK companies wishing to issue Eurobonds have to do so through an overseas subsidiary. The proposal to allow UK borrowers to pay certain types of interest gross should enable UK borrowers to get better terms from foreign lenders and UK companies to make Eurobond issues in the London market without the cost and inconvenience of setting up foreign finance subsidiaries.

Acceptance credits

Acceptance credits have become a recognized and widely used alternative form of borrowing to short term bank arrangements. There have however been some circumstances in which the discount payable may not (unlike interest on an ordinary loan) qualify for tax relief. The proposal removes this anomaly, and at the same time ensures that relief will be given for incidental costs of raising bill finance in this way.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01–438 6692 OR 6706

[3x] 15 March 1983

TAXATION OF INTERNATIONAL BUSINESS

The Chancellor proposes in his Budget to enable a charge to corporation tax to be imposed on certain UK resident companies with interests in UK controlled companies resident in low tax countries. Legislation, which will take effect from 6 April 1984, will be contained in this year's Finance Bill. The Chancellor does not propose to proceed this year with any measures on company residence or upstream loans.

Background

These related issues were discussed in the consultative document "Taxation of International Business" published by the Inland Revenue in December 1982. The Chancellor's proposals have been formulated in the light of the response to that document.

Controlled foreign companies in low tax countries

The December 1982 consultative document proposed measures to counter the use of controlled foreign companies in low tax countries where avoidance of UK tax was the main, or one of the main, purposes of the activities. It contained draft clauses which would enable a charge to corporation tax to be imposed on certain UK companies with at least a 10 per cent interest in foreign companies under UK control but resident in a low tax country. Representations made on the draft clauses have been carefully considered and a number of changes will be made in response to them. Details of the changes will be announced at the time of publication of the Finance Bill.

Company residence

The December 1982 document announced the Government's decision not to proceed with a statutory definition of company residence. It also stated that the Government intend to bring forward specific measures to deal with arrangements which take advantage of the current company residence rules.

 /Upstream

Upstream loans

In November 1981 the Inland Revenue published, in the consultative document "International Tax Avoidance", draft clauses designed to remove the tax advantages available where an overseas subsidiary remits profits to the UK in the form of a loan, instead of a dividend. In the light of the response to that document the Government deferred action to give the issue further consideration bearing in mind the need to distinguish and protect loans made in the ordinary course of business.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
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[3x] 15 March 1983

TAXATION OF INTERNATIONAL BUSINESS; CONTROLLED FOREIGN COMPANIES IN LOW TAX COUNTRIES

1. The legislation on controlled foreign companies which will be contained in the Finance Bill retains the definition of a "lower level of taxation" provided by clause 3 of the draft legislation published in the December 1982 consultative document "Taxation of International Business". This means that an overseas company will be subject to a lower level of taxation if the tax paid in its country of residence on profits arising in an accounting period (the local tax) is less than one half of the notional United Kingdom tax (computed without credit for the local tax) that would have been payable for the accounting period had the company been resident in this country.

2. Once the legislation is enacted it is proposed to publish a list of countries which will not be regarded as "low tax" countries for this purpose. A final list cannot be prepared at this stage since it must depend on the details of the legislation as enacted. In any event it has not yet been possible to examine the relevant laws of all overseas countries which may appear on a final list. But the Government have decided that, subject to these necessary qualifications, a provisional list (attached) should be made available now, before the legislation is introduced. A definitive list will be published as soon as possible after the Finance Bill receives Royal Assent.

3. A company which is resident in and carrying on business in a country within Part I of the list would be excluded from the application of the proposed legislation. Where the country of residence appears in Part II, the company would be similarly excluded provided it is not subject to any relief etc specified in column 2.

4. If a company is resident in a country not on the list, or if it is entitled to one of the reliefs specified in Part II, it does not of course follow that a charge would be made in respect of it. In either case it would be necessary to consider whether the company is in fact subject to a lower level of taxation as defined in the legislation, and if so, whether any of the other statutory tests for exclusion (including the motive test) are satisfied.

 /Part 1

Part 1: Countries not regarded as "low tax"

Algeria
Argentina
Australia
Austria
Bangladesh
Belgium
Belize
Botswana
Brazil
Brunei
Bulgaria
Burma
Cameroon
Canada
China
Czechoslovakia
Denmark
Dominica
Egypt
Ethiopia
Falkland Islands
Faroe Islands
Fiji
Finland
France
Gambia
German Democratic Republic
German Federal Republic
Ghana
Greece
Hungary
Iceland
India
Indonesia
Iran
Iraq
Italy
Ivory Coast
Japan
Jordan
Kenya
Korea, Republic of
Lesotho
Libya
Malawi
Malaysia
Malta
Mauritius
Mexico
Morocco
Namibia (South West Africa)
New Zealand
Nigeria
Norway
Pakistan
Peru
Philippines
Poland
Portugal
Romania
St Kitts
St Lucia
Saudi Arabia
Seychelles
Sierra Leone
South Africa
Soviet Union
Spain
Sri Lanka
Sudan

/Swaziland

Part I (cont'd)

Swaziland	Uganda
Sweden	USA
Taiwan	Venezuela
Tanzania	Yugoslavia
Thailand	Zaire
Trinidad and Tobago	Zambia
Tunisia	Zimbabwe
Turkey	

Part II: Countries not regarded as "low tax", subject to qualifications.

(1) Country		(2) Qualification
Ireland	:	companies obtaining relief or exemption from tax under Part V of the Corporation Tax Act 1976 or Section 43 of the Finance Act 1980 (profits from trading within Shannon Airport)
Luxembourg	:	companies obtaining any special tax benefit under the law of 31 July 1929, decree of 17 December 1938 as amended or Grand Ducal Regulation of 29 July 1977 (holding companies)
Netherlands	:	companies obtaining relief or exemption from tax under Article 13 of the Corporate Income Tax Law of 1969 (affiliation or substantial participation privilege)

/Singapore

Part II (cont'd)

Singapore : 1. companies subject to the concessionary rate of tax for insurance and reinsurance of risks outside Singapore by virtue of Section 43C of the Income Tax Act as amplified by the Income Tax (Concessionary Rate of Tax for Income from Insuring and Re-insuring Offshore Risks) Regulations 1980

2. companies subject to the concessionary rate of tax for specified Asian Currency Unit income by virtue of Section 43A of the Income Tax Act as amplified by the Income Tax (Concessionary Rate of Tax for Asian Currency Unit Income) Regulations 1979.

INLAND REVENUE Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
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[3x] 15 March 1983

DEVELOPMENT LAND TAX

The Chancellor proposes a number of changes to development land tax in his Budget. Liability on the start of material development may be deferred if the development is for the owner's own use and if it is started before 1 April 1986 (previously development had to have been started before 1 April 1984 to qualify for deferment). Where a deferred liability, whether under this provision or others following deferment, has not become payable within 12 years, that liability will be extinguished. Where tax may be paid in instalments, the number of instalments is to be increased from 8 to 10 and the facility to pay in half yearly instalments withdrawn.

The Chancellor also proposes to improve the machinery for making deductions on account of development land tax when there is a disposal by a person resident outside the United Kingdom and to reduce the rate of those deductions.

Development for own use

Liability for development land tax may be deferred when, for instance, the development is for an industrialist's own industrial use or by statutory undertakers for their own operational purposes. In 1981 the deferment facility was extended to any development for the owner's own use, provided the development was started before 1 April 1984. This wider deferment facility is now to be extended to developments started before 1 April 1986.

Extinguishment of deferred liability

Liability which has been deferred under any of the above provisions becomes payable when the property ceases to be used for the qualifying purpose. This contingent liability is to be extinguished if it has not become payable within 12 years from the start of the development.

/Payment by instalments

Payment by instalments

In certain cirumstances, eg following the start of material development or the grant of a lease, development land tax may be paid in 8 annual or 16 half-yearly instalments. The number of annual instalments in which tax may be paid is to be increased to 10 and the facility to pay by half-yearly instalments withdrawn.

The change will apply to disposals on or after Budget day.

Disposals by non-residents

A person who acquires development land in the United Kingdom from a non-resident vendor is required to withhold 50 per cent of the consideration on account of the vendor's development land tax liability, although in particular cases the Revenue may agree to a smaller deduction or to no deduction at all. The obligation to deduct is now to apply to acquisitions of all land, and the rate of deduction is to be reduced to 40 per cent.

The revised deduction scheme will operate with effect from 6 August 1983.

INLAND REVENUE
Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
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[3x] 15 March 1983

OIL TAXATION

The Chancellor proposes in his Budget today a number of changes in oil taxation principally designed to encourage future exploration and appraisal of UK oil and gas reserves and the development of new fields.

The main features of the package are:

(a) measures to give relief totalling over £800 million over the next four years starting with some real cash flow benefits in 1983/84 of £115 million;

(b) a significantly lower tax regime for future fields, based on the doubling of the Petroleum Revenue Tax oil allowance and the abolition of royalties for fields whose development is approved on or after 1 April 1982, apart from those onshore or in the Southern Basin;

(c) the phasing out of Advance Petroleum Revenue Tax, which will be complete by the end of 1986;

(d) immediate PRT relief against any field for expenditure incurred after today on searching for oil or appraising reserves discovered.

These measures follow very careful study of the profitability of future development, in consultation with the oil industry.

The Chancellor also proposes measures, following a Consultative Document issued in May 1982, to relax the rules relating to PRT relief for expenditure on assets with shared use (such as pipelines) and, as a corollary, to charge related receipts (such as pipeline tariffs) to PRT, subject to an exempt allowance. This new regime will clear up uncertainties in the present position, and encourage the shared use of these assets.

DETAILS OF MAJOR CHANGES

Phasing out of APRT

1. APRT, which advances the payment of PRT into the early years of production of a field, will be phased out. The rates applying will be:

/1

1 January 1983 to 30 June 1983	20%
1 July 1983 to 31 December 1984	15%
1 January 1985 to 31 December 1985	10%
1 January 1986 to 31 December 1986	5%

Thereafter APRT will be abolished.

PRT Exploration and Appraisal Relief

2. At present the cost of exploring for oil in the UK and UK Continental Shelf can be claimed against PRT for any field, if the expenditure is accepted as abortive. The cost of appraisal of reserves can only be allowed if they are subsequently developed and then only against that field. For expenditure incurred after today, a participator will be able to claim PRT relief against any field for exploration or appraisal expenditure provided it is not within a PRT field for part or all of which development consent has been given or a development programme has been approved. Relief will be given whether or not the expenditure is abortive except that expenditure on acquiring a licence interest will only be allowable when the licence (or the relevant part of it) is abandoned. There will be no time limit for a claim (and the existing time limit for abortive exploration relief will be removed).

Future field reliefs

3. There will be two new benefits for all fields where development consent (or approval of a development programme) is first given after 1 April 1982 (except for onshore fields and Southern Basin fields defined as those in designated areas East of the UK, South of 55°N and North of 52°N). The Secretary of State for Energy will be taking steps to abolish royalties on such fields. And the PRT oil allowance will be doubled to 1 million tonnes of oil a year, subject to a cumulative limit of 10 million tonnes per field.

4. The Government is ready to discuss with the industry whether there is a need to extend these reliefs to Southern Basin fields. If the case is made out, fields developed after today would benefit from any extension.

PRT expenditure reliefs on shared assets and the taxation of related receipts

5. This legislation fulfils a commitment announced in the 1982 Budget Speech.

6. A Consultative Document was issued on 7 May 1982 proposing that in future full, front-end relief should usually be given in circumstances where an asset was also to be used otherwise than for the oil-producer's own field and where under existing law relief would need to be restricted. The document also proposed that incidental receipts, such as pipeline tariffs or sale proceeds, attributable to such assets should come within the charge to PRT.

/7. The

7. The main proposals will be implemented in the Finance Bill but, following consultation with the industry, two major changes are proposed:

First, for most income receipts, there will be an exemption for ½ million metric tonnes throughput a year from each user field - ie 250,000 metric tonnes (or equivalent gas) throughput per 6 monthly chargeable period.

Second, for agreements made on or before 7 May 1982 (the date of publication of the Consultative Document) this allowance will be increased for a period of five years to ¾ million metric tonnes a year - 375,000 metric tonnes per chargeable period.

The new rules will take effect from 1 July 1982. (The Consultative Document indicated that legislation to implement its proposals should be backdated. 1 July 1982 is the beginning of the first six-monthly chargeable period following publication of the proposals).

MISCELLANEOUS PROVISIONS

Transfers of oil or gas for use in production by the same person in another field

8. Under the present PRT rules where gas is produced in one field and transferred to a second field in the same ownership for production purposes, its value is taxed in the first field but no corresponding relief on that value is given in the second field. It is proposed to change the rules so that where gas is transferred for such use insofar as the second field is in the same ownership, the value of the gas will not be taxed.

Transfer of interest in field

9. Where an interest in an oil field is transferred to a new participator, special 'succession' rules exist. Inter alia, these allow the new participator the benefit of unused losses of the old participator, but not where the loss arose in the period of transfer. This anomaly is being removed.

PRT valuation

10. Legislation will be introduced to put beyond doubt that the PRT valuation rules require normal commercial credit terms to be assumed for market valuations of oil appropriated for the participator's own use or disposed of other than at arm's length.

Adjustment of incorrectly allowed PRT expenditure reliefs

11. A defect will be remedied in the rules for putting matters right where expenditure has been incorrectly allowed.

/NOTE

NOTE FOR EDITORS

Previous history of oil tax changes

12. Following the substantial increases in oil prices in 1979/80, the Government introduced Supplementary Petroleum Duty in the 1981 Budget to advance a proportion of tax receipts to the early years of production and to make a smaller permanent increase in take. SPD was charged at 20% on gross revenues from production after an oil allowance of 1 million tonnes a year. It was introduced on a temporary basis in order to give the oil industry an opportunity to suggest alternative ways of raising a similar level of revenue if there was a better structure.

13. In the light of the industry's representations on structure, the 1982 Budget brought SPD to an end as from 31 December 1982. From the same date the rate of PRT was raised from 70 to 75% and a system of advance payments (APRT) introduced to accelerate the receipt of PRT into the early years of field life. APRT like SPD was set at 20% on gross revenues less an oil allowance of 1 million tonnes, but unlike SPD it is credited in full against normal PRT liabilities when they arise and if it cannot be set off in this way within five years it is repaid and no further APRT is collected.

Discussions with the oil industry

14. As well as criticising the structure of the regime the oil industry argued that the level of taxation was discouraging activity on the Continental Shelf. Ministers therefore authorised discussions between the UK Offshore Operators' Association and officials of Treasury, Inland Revenue and Department of Energy to establish the likely profitability of future development. Detailed discussions have been held with UKOOA and individual operators about future projects and in the light of these, the Chancellor has concluded some additional reliefs to improve incentives for future offshore development are justified. There are three aspects to his proposals.

(a) Phase out of APRT

No evidence has been provided which suggests that existing fields are not in general making attractive profits under the present regime, at present oil prices. But in the light of current pressures on the oil industry's cash flow the Chancellor has decided to phase out the acceleration of PRT through the APRT system to provide some easement in cash flow over the next few years, to help finance new development.

(b) Reliefs for future fields

Removing royalties and doubling the PRT oil allowance for future fields will mean that there will be no imposts on these fields not related to profits, no special taxes paid before costs have been recovered out of income and no special taxes on production up to the substantial level of 1 million tonnes a year per field.

/ These

These future field reliefs will not apply to Southern Basin or onshore fields, because the available evidence does not suggest that they are needed, but these fields will benefit from the phase out of APRT and the new relief for exploration and appraisal. However, the evidence on Southern Basin fields is limited and the Government will be holding further discussions with the industry on this. In order not to delay development, fields developed after today will benefit from any extension eventually agreed to be justified.

(c) Relief for exploration and appraisal

New activity will also be assisted by the additional reliefs for exploration and appraisal (the latter will become increasingly important as new fields become smaller and more complex).

PRT expenditure reliefs on shared assets and taxation of related receipts

15. It has been generally recognized in the light of developments that the existing rules for PRT relief for expenditure on shared assets were becoming increasingly inappropriate. In particular, there was a danger that by restricting relief when assets were or were likely to be shared, they could inhibit sensible and desirable arrangements for sharing existing assets, such as pipelines, and so defer or prevent the development of some future, smaller fields (for which the cost of eg laying their own pipelines could be prohibitive).

16. The removal of the present restriction on relief will give considerable benefit to the industry (not precisely quantifiable but, as compared to the likely effect of current law, running to some hundreds of million pounds over a period of years). The taxation of receipts, such as tariffs, from such assets is the corollary of the more generous reliefs proposed, but its incidence will be substantially abated by the proposed throughput allowance which is available to the owner of the assets for each field making use of the assets.

Cost

17. These proposals, taken together with the minor proposals, are estimated to cost £115m in 1983/84 and over £200m a year on average over the four year period 1983/84 to 1986/87. These are made up as follows:

	1983/84	Average to 1986/87
APRT phase out	50	165
Appraisal relief	40	45
PRT expenditure relief on shared assets and taxation of related receipts	15*	yield of 5 *
Minor provisions	10	-

*These figures take no account of the additional, unquantifiable benefits (see 16 above).

General

18. There are many other factors besides tax affecting the rate of future development, in particular oil prices and the rate at which technological progress can bring costs down, but the Government believe these changes should provide the right fiscal environment for a successful development of the next generation of fields.

Department of Employment PRESS NOTICE

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March 15, 1983

PART-TIME JOB RELEASE SCHEME ANNOUNCED

A new scheme to encourage older workers to work part-time in the years before they retire and to provide more part-time jobs for unemployed people has been announced today by the Government.

The Part-Time Job Release Scheme will run from October 3, 1983 to the end of March 1985. It offers a weekly allowance where people change to part-time work and an unemployed person is taken on for the other half of their job. The Scheme is open to men aged 62 to 64, disabled men aged 60 to 64 and women aged 59. By helping unemployed people find part-time work it is expected to have an effect on unemployment of about 40,000 by March 1985 at a gross cost of around £40 million in 1984/85.

The allowance, which will be taxable, will be half the rate of the existing Full-Time Scheme. For married applicants who meet certain specified conditions, the weekly allowance will be £33.60. For others, the allowance will be £27.30.

The Scheme opens for applications on August 8, 1983. Further details will be announced shortly.

The existing Full-Time Job Release Scheme, which is open to the same age groups as the new Part-Time Scheme, will continue until March 31, 1984. From April 1984 to March 31, 1985 the age limit of 62 for men will be raised to 64; women will continue to be eligible at 59 and disabled men at 60.

Commenting on the new Part-Time Scheme,Employment Secretary, Mr Norman Tebbit said today:

"The Full-Time Job Release Scheme which has been running since 1977 is popular with older workers and has resulted in a good many extra jobs for unemployed people.

"I believe that a part-time scheme can be just as successful. It will do two valuable things: First, it will create viable part-time jobs for unemployed

people at better rates of pay than their benefit entitlement and secondly, it will give older people the chance to approach retirement gradually and benefit from a shorter, and perhaps more flexible, working week during their last year or so at work."

NOTES TO EDITORS

1. The Scheme was announced today in the Chancellor of the Exchequer's Budget Statement.

2. Some changes in the Full-Time Scheme were announced at the end of last year and will take effect from April 6, 1983. New leaflets and application forms for the Full-Time Scheme are available in Jobcentres and employment offices. At the end of January 78,000 people were being supported under the Job Release Scheme.

3. The Scheme is open to employed people only.

Department of Employment **PRESS NOTICE**

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March 15, 1983

ENTERPRISE ALLOWANCE EXTENDED NATIONALLY

The experimental Enterprise Allowance Scheme which helps unemployed people to set up their own businesses is to be made available throughout Great Britain, the Government announced today.

Places for a further 25,000 people will be available on the Scheme, which will be open on this extended basis from August 1, 1983 until March 1984. They will be allocated throughout the country broadly in line with the numbers unemployed in each area. The Government has set aside over £50 million during the next two years to cover the cost of the Scheme.

The Scheme, which for the past year has been run on a pilot basis, provides a taxable allowance of £40 a week for a year for unemployed people wishing to set up a business but who may be deterred by the fact that they would lose their entitlement to unemployment or supplementary benefit.

The Scheme will continue to operate on its existing basis in the present 5 pilot areas until July 31 when the nationwide scheme starts.

The Secretary of State for Employment has asked the Manpower Services Commission, which runs the 5 pilot schemes through its Jobcentres, to administer the Scheme with help from the Department of Industry's Small Firms Service, whose counsellors provide advice and guidance to those entering the Scheme.

The longer-term future of the Scheme will be reviewed before March 1984. in the light of full evaluation of the pilots and experience of this extension.

Welcoming the expansion of the Enterprise Allowance Scheme announced earlier today, Employment Secretary, Norman Tebbit said, "This decision underlines the Government's commitment to encouraging initiative and stimulating new business.

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I am confident there is sufficient flair and entrepreneurial talent amongst unemployed people for the Scheme to be a success nationally. Unemployed people face particular difficulty in getting a new small business going and keeping it going and the Enterprise Allowance is designed to help. The potential benefits are great, not just for the person who manages to set up a successful business but also for others who may subsequently secure jobs in that business and for the community as a whole."

NOTES TO EDITORS

1. The Enterprise Allowance Scheme was introduced in 5 areas on a pilot basis in early 1982 - Medway Towns, NE Lancashire, Coventry, Deeside and North Ayrshire.

2. Up to the end of February 3,590 applications had been received from the pilot areas. Of these, 2,313 have been approved and 1,973 people are in receipt of the allowance - Medway Towns (355), NE Lancashire (590), Coventry (494), Deeside (280), N Ayrshire (254).

3. New businesses being set up under the Scheme cover a wide range of activities. The construction industry accounts for about a quarter of applicants, mainly in general building repairs and maintenance such as plumbing, painting, joinery and electrical contracting. Other small business ventures under the Scheme include retail distribution, light engineering, furniture making, motor repairs, catering, and hairdressing.

4. Under present rules a flat-rate allowance of £40 a week (which is taxable) is payable for a maximum of 52 weeks. To be eligible applicants have to have been unemployed for at least 13 weeks and must be receiving unemployment or supplementary benefit at the time of making their application. Time spent under formal notice of redundancy counts towards the qualifying period. Applicants must be at least 18 but under state pension age, and must be able to show that they have at least £1,000 available which they intend to invest in the business. No industry is excluded by the MSC but it has discretion to reject applications which are considered unsuitable for support from public funds.

5. The MSC will be issuing more precise details of how they will be operating the extended Scheme and making explanatory literature generally available in good time before the starting date (1 August).

Department of Transport 2 Marsham Street, London SW1P 3EB. Telephone 212 3434

Press Notice No: 76 Date: 15 March 1983

BUDGET - VEHICLE EXCISE DUTY

In his Budget Statement this afternoon, the Chancellor of the Exchequer announced changes in Vehicle Excise Duty (VED) rates. For the motorist and owners of light vans, VED will go up from £80 to £85.

The Chancellor proposes to reduce by about 10 per cent the rates of duty on some 315,000 goods vehicles which more than cover their road costs. And there will be increases ranging from 5-26 per cent for about 190,000 heavier lorries so that, for the most part, they will cover their road costs. Rates were also announced for lorries over 32.5 tonnes which will be allowed on the roads from 1 May. These will cover their road costs from the outset. Lorries taken as a whole will continue to cover their road costs.

Specimen rates of duty are set out in the attached table. The duty changes will come into effect for licences taken out after 15 March (except for lorries over 32.5 tonnes which are not allowed on the road before 1 May 1983).

Commenting today on these changes, David Howell, Secretary of State for Transport said:

> "The pattern of reductions and increases in the rates of duty for lorries is a very important step in spreading the tax burden on goods vehicles more fairly. This has been made possible by the new duty structure we introduced last October which enables us to get a better match between the taxation levels of different groups of lorries and their road costs. It will also encourage the use of less damaging lorries. I am particularly pleased that the Chancellor has felt able to make reductions for some 315,000 vehicles which have been paying more than their share of road

costs. The new duty structure and the new rates announced today, are a major step towards a fairer and more efficient tax system".

NOTES TO EDITORS

1. Since 1 October 1982 light goods vehicles /up to 1,525 kg unladen weight/ have been taxed at the same rate as cars.

2. The new duty structure introduced last October for goods vehicles over 1,525 kg is based on their gross weight (ie the maximum permissible weight of the vehicle with its load) and, for heavier lorries, the number of axles is also taken into account. The new system was designed to share the tax burden more fairly according to the road wear caused by different types of lorry. It also provides a tax incentive for operators to use lorries with more axles which cause less road wear and so help to reduce road maintenance costs.

3. The rates for the new heavier lorries (32.52 to 38 tonnes) reflect the Government's commitment that they should cover their full road costs from the outset.

4. Full details of the new rates will be in Local Vehicle Licensing Offices and some 3,000 Post Offices from tomorrow, 16 March.

Press Enquiries: 01-212 0431
Night Calls (6.00pm to 8.00am)
Weekends and Holidays: 01-212 7071

Public Enquiries: 01-212 3434; ask for Public Enquiry Unit.

EXAMPLES OF CHANGES IN THE ANNUAL RATES OF VEHICLE EXCISE DUTY

	Present £	Proposed £	Percentage change %
Cars, and Goods Vehicles up to 1525kg unladen	80	85	6.25 up
Motorcycles 150cc	8	8.50	6.25 "
Others	32	34	6.25 "
Taxi	40	42	5 "
Coach, 40 seats	56	59	5.4 "
Bus, 70 seats	80	84.50	5.6 "
Agricultural machines, mobile cranes	13.50	14	3.7 "
Showmen's haulage vehicles up to 7¼ tons unladen	130	137	5.4 "
Haulage vehicles 7¼ to 8 tons unladen	642	676	5.3 "
Heavy goods vehicles, up to 7.5 tonnes	170	150	11.8 down
" " " , up to 12 tonnes	360	320	11.1 down
Farmers', and Showmens' goods up to 1525kg unladen	60	63	5 up
" " " " up to 7.5 tonnes	100	90	10 down
" " " " up to 12 tonnes	130	115	11.5 down
Heavy goods, 2 axle rigid, 12 to 13 tonnes	450	410	9.8 down
Heavy goods, 2 axle rigid 16 to 17 tonnes	730	780	6.8 up
Heavy goods, 3 axle rigid 16 to 17 tonnes	360	320	11.1 down
Heavy goods, 3 axle rigid 24 to 25 tonnes	1030	1150	11.7 up
Heavy goods, 4 axle rigid 24 to 25 tonnes	730	660	9.6 down
Heavy goods, 4 axle rigid 30 to 31 tonnes	1620	1990	22.8 up
Farmers & Showmens' goods, - 2 axle rigid 12 to 13 tonnes	150	135	10 down
Farmers' goods, 3 axle rigid 24 to 25 tonnes	190	210	10.5 up
Heavy goods, 3 axle artic. 24 to 25 tonnes	1210	1090	9.9 down
" " 4 axle artic. 30 to 31 tonnes	1530	1390	9.2 down
" " 4 axle artic. 32 to 32.5 tonnes	1820	2290	25.8 up
" " 2 axle tractor + 3 axle trailer - 37 to 38 tonnes	-	2940	-
Heavy goods, 3 axle tractor + 2 axle trailer 37 to 38 tonnes	-	2590	-
Farmers' goods, 3 axle tractor + 2 axle trailer 37 to 38 tonnes	-	855	-
Showmens' goods, 3 axle tractor + 2 axle trailer 37 to 38 tonnes	-	1060	-

TRADE LICENCES

The rates of duty for trade licences will be increased from £40 to £42 and from £8 to £8.50.

Department of Health and Social Security

PRESS RELEASE

Alexander Fleming House
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London SE1 6BY

Telephone 01-407 5522

83/58

15 March 1983

Norman Fowler, Secretary of State for Social Services, today gave details of the social security changes outlined in the Chancellor's Budget Statement. He said:

"I shall be introducing a Bill immediately to restore the historic basis of uprating social security benefits. What this means in practice is that this year's uprating, and future upratings, will be based on the actual increase in prices over a past period, not on the forecast increase. The forecast system - introduced to save money by the last Government - has not worked. The forecast has been wrong in five years out of seven. I believe the certainty and stability that this change will bring will be widely welcomed.

"In addition the benefit improvements announced in the Budget are probably the most significant made during the lifetime of this Government. They will give considerable extra help to many different groups in our community - the unemployed, the sick and disabled, the elderly and families with children. I am particularly glad that we are increasing the real value of child benefit and one-parent benefit to their highest ever level; abolishing the "invalidity trap" which our predecessors were not able to do; and restoring the 5 per cent abatement of unemployment benefit.

"A Bill to return to the historic method of uprating will be introduced tomorrow. The Government has also decided to make the following improvements:

uprate child benefit and one-parent benefit by 11 per cent next November. This means a real increase in value, and both benefits will stand at their highest value since their introduction. Child benefit will be £6.50 and one-parent benefit will be £4.05.

remove what is known as the "invalidity trap" so that people on invalidity benefit can qualify for the long-term rate of supplementary benefit;

restore the 5 per cent abatement of unemployment benefit;

improve the two main capital disregards in the supplementary benefit scheme and introduce a new disregard for the surrender value of life assurance policies;

allow all men over 60 on supplementary benefit to qualify immediately for the higher long-term rate;

award national insurance credits automatically to men over 60 thus relieving them of the need to register as unemployed whilst preserving their future benefit position;

increase the amount which sick and disabled people are allowed to earn without affecting their incapacity benefit;

introduce a new mobility allowance for war pensioners in place of the war pensioners' vehicle scheme.

Commenting on the changes Mr Fowler said:

UPRATING METHOD

"The present forecast method of uprating has given rise to general dissatisfaction. Since its introduction in 1976 the upratings have been based on forecasts but these forecasts have only been correct in two years. In most cases, therefore, the forecast method has meant having to adjust the benefit increases due a year later. Whether the adjustment was upwards or downwards it invariably led to strong public criticism and to confusion.

"The historic - or actual - method avoids the possibility of forecasting error and therefore the need for later adjustment of uprating increases. It replaces doubt with certainty based on fact. The Labour Government last used this method in 1975. They then decided to change the method because they did not wish to include in the reckoning for the 1976 uprating a period of high inflation which pensioners had recently suffered. They left an 8 months' gap in their calculations from which they saved £500 million - equivalent to £1 billion at today's prices.

BENEFIT IMPROVEMENTS

Mr Fowler said that there were eleven major benefit improvements announced in the Budget:

Families

"First, child benefit is to be uprated in November by 11.1 per cent. This will take the rate to £6.50 a week, an increase of 65p, which is substantially more than necessary to protect the November 1982 level of the benefit. Indeed the increase will more than restore the April 1979 value which the Government inherited and the new rate will represent the highest value since child benefit was introduced.

"Second, one-parent benefit will be similarly increased - by 11 per cent - to £4.05 taking it to its highest ever value in real terms.

"These decisions demonstrate in a practical way the importance we attach to support for families generally and to giving extra help towards the special needs of one-parent families. The increases will cost £122 million in 1983/84 and £340 million in 1984/85.

The Elderly

"Third, the main capital limit in the supplementary benefits scheme is to be raised from £2,500 to £3,000. This is the second increase of £500 in this limit in successive years. It was raised from £2,000 to £2,500 in November 1982. In the course of a year, therefore, the main capital disregard will have risen by £1,000 - a 50 per cent increase.

"Fourth, the capital limit which applies to single payments under the supplementary benefit scheme is to be raised also - from £300 to £500. The new limit will allow more people to qualify for a single payment rather than have to use up some of their small savings when a special need arises.

"Fifth, a new disregard of capital is to be introduced into the supplementary benefits scheme. Up to now, the surrender value of a life assurance policy has been treated as capital and set against the main capital limit. In future, up to £1,500 surrender value will be ignored. Any amount above that will count towards the new, main £3,000 limit.

"Those three changes will all take effect in November 1983. They represent a clear indication of the Government's concern not to penalise thrift and to help people with small savings or a modest lump sum redundancy payment when they are most in need of help.

Early retirement

"Sixth, from 5 April men over 60 will no longer be required to attend an Unemployment Benefit Office to sign on as unemployed and make themselves available for work, if their only reason for doing so is to obtain national insurance credits, particularly to protect their State basic pension rights. Instead, they will be given the necessary credits automatically, under regulations to be made shortly. This will relieve some 90,000 people of the requirement to sign on. Details will be available at Unemployment Benefit Offices at the end of this month.

"Seventh, a further measure designed to help this age group is that some 80,000 men over 60, whether sick, disabled or unemployed, will be eligible for the long-term rate of supplementary benefit immediately instead of having to wait for one year on the lower short-term rate. This change will take place in June, as soon as the necessary amending regulations have been introduced. In addition, we shall remove the requirement for those over 60 to register as unemployed. The extra benefit will be worth up to £7 a week for a single householder and up to £10.60 a week for a married couple, at a cost of £23 million in 1983/84.

"These changes will assist men aged 60 and over who have either effectively retired from work or wish to retire early. The Department of Employment will also be extending the Job Release Scheme for a further year and applying it from October to part-time as well as full-time work.

Unemployed people

"Eighth, the 5 per cent abatement of the uprating of unemployment benefit introduced in 1980 is to be made good at the next uprating in November. This will help some 900,000 beneficiaries and their families at a cost of about £20 million in 1983/84 and £60 million in 1984/85.

Sick and disabled people and war pensioners

"Ninth, steps are to be taken to remove the so-called invalidity trap. At present, people receiving invalidity benefit cannot qualify for the long-term rate of supplementary benefit. The decision to allow men over 60 to qualify for the long-term rate immediately will remove the effects of the trap on them. This will benefit 37,000 people over 60. In addition 30,000 people under 60 will be removed from the trap from November 1983. A year in receipt of incapacity benefits will be counted as meeting the qualifying period for eligibility to the higher long-term rate. This

1 mean that they will qualify for extra weekly benefit up to £7 a week for a single householder and up to £10.60 for a married couple. In addition, they will be eligible to claim additional payments under the supplementary benefits scheme, for example, to help with heating, diet and other special needs. This will cost £3 million in 1983/84 and £10 million in 1984/85.

"Tenth, the Government intends to introduce more flexible provisions for war pensioners with mobility needs by introducing a cash mobility supplement in place of the existing vehicle scheme which will be progressively phased out. This supplement will be set at a rate £2.10 a week higher than the civilian mobility allowance (£18.30 a week at present), thus maintaining the traditional war pensioners' preference. Recipients of the new supplement will be able to choose how to provide for their mobility needs - they will be able to use this money to run a car, or to obtain greater mobility by other means. If they wish to run a car of their own they will be able to take advantage of the Motability leasing arrangements. About 11,000 war pensioners will be entitled to the new supplement. Of these, some 700 do not drive now. They are unable to benefit under the present arrangements, which provide a car or a cash sum for the upkeep of the pensioners's own car, but a cash allowance will help them. Details of the new scheme will be given in due course.

"Eleventh, the therapeutic earnings limit (at present £20) is the amount which people on incapacity benefits (such as invalidity benefit) can earn before their benefit is withdrawn, so long as the work done will not prejudice their recovery. The ability to earn some money without loss of benefit allows people to ease their way back into work, and can be a useful aspect of rehabilitation. The limit was given a boost in real terms last year, and in November 1983 will be increased again from £20 to £22.50 - a 12½ per cent increase."

EFFECTS ON MAIN GROUPS OF BENEFICIARIES

Under the present forecast method of uprating, pensions and other benefits would have increased by 3.3 per cent - based on a forecast movement of prices of 6 per cent from November 1982 to November 1983 less 2.7 per cent to reflect the 1982 overshoot. It is not possible to say by how much benefits will increase in November 1983 under the historic method since the rates will not be finally determined until June. But on an illustrative assumption of a 4 $^1/_4$ per cent increase pensions will have increased by 75.6 per cent under the present Government against an expected rise in prices of 70.7 per cent between November 1978 and November 1983.

The increases in child benefit and one-parent benefit will mean that the value of each benefit is higher than ever before. Child benefit went up to £4 in April 1979. The proposed level of benefit in November 1983 is £6.50. This represents an increase of 62.5 per cent since April 1979. By comparison, prices are expected to go up by 61.4 per cent between April 1979 and November 1983. One-parent benefit (then called child benefit (increase)) went up to £2 in November 1978; there was no further increase in April 1979. The proposed level of benefit in November 1983 is £4.05. This represents an increase of 102.5 per cent since November 1978. By comparison, prices are expected to go up by 70.7 per cent between November 1978 and November 1983.

DEPARTMENT OF
ENERGY
Thames House South, Millbank, London SW1P 4QJ.
Press Office Direct Line: 01-211 4545 Out of hours: 01-215 7877

PRESS NOTICE

Reference No 30

March 15, 1983

HELP FOR NEW OIL AND GAS FIELDS

Mr Nigel Lawson, Secretary of State for Energy, has decided to abolish all royalties payable by companies on future offshore oil and gas fields other than those in the Southern Basin.

This was announced in the Budget statement today by Sir Geoffrey Howe, Chancellor of the Exchequer, as part of a package of measures to encourage future offshore developments.

The new royalty concession will apply both to royalty paid in cash and taken in kind (ie in oil).

New fields wholly offshore and outside the Southern Basin of the North Sea whose development is approved by the Secretary of State on or after April 1, 1982 will not be subject to the requirement to pay royalty in cash or, alternatively, to deliver royalty in kind.

The licensees of the N Alwyn and Clyde fields for which development approval was given last autumn will be consulted as soon as possible on the changes in licence terms necessary to implement the abolition of the requirement to pay royalties. Comparable arrangements will be made for other new fields at the time development plans are formally submitted for the Secretary of State's approval.

Mr Lawson said today:

"The royalty concession, and the other measures announced by the Chancellor, are made after detailed study of the views expressed by the industry about lack of fiscal incentives to encourage development of the smaller, more marginal future generation of offshore fields. I now look for an early and positive response from the licensees concerned."

BACKGROUND NOTES

1. The Southern Basin fields excluded are those oil and gas fields situated wholly offshore and in designated areas East of the UK, South of 55°N and North of 52°N. The limited evidence available suggests that the Southern Basin fields are likely to be profitable on the basis of the present fiscal regime. However, the Government will be prepared to discuss with licence operators any new evidence they wish to submit which indicates that returns on future fields would not justify their development. If the Government is convinced that there is a case for extending concessions to the Southern Basin, it would do so for fields approved for development after Budget Day 1983.

2. The new royalty concession is not related to the provisions in Section 41(3) of the Petroleum and Submarine Pipelines Act 1975 which gives the Secretary of State discretionary powers to award tax-free refunds of royalty already paid where he considers it expedient to do so. Thus the new concession will apply automatically without the licensees having to satisfy the Secretary of State in each individual case of the need for it but there will be no question of the licensees concerned receiving royalty relief for the purposes of income tax, corporation tax and petroleum revenue tax.

3. For seaward licences issued under the first Four Rounds of licensing, royalty is payable by the licensees at the rate of 12½ per cent of the gross value (as determined for PRT purposes) of petroleum produced less, in each case, a sum in respect of the cost of conveying and treating that petroleum.

For seaward licences issued in the Fifth and later Rounds of licensing, royalty at the rate of 12½ per cent of the gross value (as determined for PRT purposes) of Petroleum is also payable but no deduction can be made for costs.

The model clauses incorporated in the licences empower the Secretary of State for Energy to require a licensee to deliver royalty in kind rather than in cash up to a maximum of 12½ per cent of petroleum won and saved from a licensed area during six monthly chargeable periods. These chargeable periods are also the accounting periods for settling cash royalty; they run from January 1 to June 30 and July 1 to December 31. At present royalty is taken in kind from the majority of producing fields on the UK Continental Shelf.

FROM: M A HALL

30 March 1983

Ix v.m. [illegible]
M.H + [illegible] for all
this [illegible] (+ [illegible]) Budget activity + help.

CHANCELLOR

without enclosures

c c Chief Secretary
Economic Secretary
Financial Secretary
Minister of State(R)
Minister of State(C)
Mr Middleton
Mr Kemp
Mr Monaghan
Mr Page
Mrs McKinney
Mr MacKellar
Mr Evans
Mr Macrae
Mr Towers o/r
Mr Segal
Miss Edwards
Mr Johnson

See my comments below.
On * I agree with J.P/M.H about the value of P.R's presence in govern budgeting + the [illegible].
The point is still not well enough understood —
+ we should make sustained efforts to get across in months ahead (1) to refute the 'leaks' canard
(2) (> impt) to convince [illegible]
[illegible] as far as possible to avoid Armstrong/TCSC

Our only (?) major failure has been on the "doing it with mirrors" / "cooking the books" story (both halves of it — CIR & shortfall). Part of this is (almost) too hard to rebut — [illegible] change as between last yr + this in FSBR treatment of shortfall. But we should still mount a stronger exercise on

THE BUDGET : PRESS AND MEDIA ARRANGEMENTS

I attach a compendium, for reading at leisure, of Budget and post-Budget press coverage.

2. This minute and its other annexes summarises what we did on the press and media fronts. It makes some recommendations for change. We would welcome your reactions to these, even though some parts of the exercise may be a touch academic.

all the econ./city commentators who are still unconvinced (see e.g. this week's Investors Chronicle)

(i) Photocalls - A full list is at Annex A.

(a) Constituency Photocalls - whilst the visit to the pub received wide coverage, virtually no-one used shots taken at Redhill Aerodrome. This was an elaborate operation, which on this occasion at least took a lot of time and effort to very little end result. We would recommend confining the constituency photocall to the pub in future years.

(b) Walk in the park on Budget Day - this is clearly a must. We thought that having the call as early as 9 am resulted in increased attendance, and recommend retaining this time, rather than reversion to the later time of previous years. The live coverage on Breakfast TV was effortless and apparently resulted in some good film being broadcast.

The early walk ~~[illegible]~~ ~~[illegible]~~ avoids an interruption during the morning.

(ii) Radio and television - Annex B This Annex contains a complete list of Ministerial appearances. There was also extensive filming by ITN for their Budget Day broadcast, and the Money Programme, ahead of the Budget. By and large, the programme of broadcasts went well. We have only the following points:-

(a) The Budget Broadcast - I think that the Head of IDT would probably be better employed on Budget evening in talking to one or two key correspondents, rather than supplementing the team of advisers for the Budget Broadcast. We would obviously need to reconsider this plan if the Budget Broadcast was in a pair of hands less safe than Tony Jay's. But the Head of IDT should certainly be involved in preparation of the text up to the final performance.

The broadcast text should also be seen by Mins at a much earlier stage. In case of last 2 years, useful suggestions from (e.g.) EST arrived too late to be of much use

(b) The Jimmy Young Show have said that they would very much prefer to have the Chancellor on the Wednesday or the Thursday, rather than the Friday, by which time the Budget is already flagging as a news item. I think it is useful for you to have the last word, and for this reason would recommend Thursday rather than Wednesday; but the Jimmy Young programme would be quite happy to ensure that the last word was on Thursday. This is probably sensible if practicable. It would have to be balanced against the timetable of press briefings.

On this basis, yes: But need to miss Walden? Or record early a.m.

(c) BBC Breakfast Television was a complete shambles, and I would need a lot of persuasion to agree to recommend it again. The Jay interview, on the other hand, was admirable. Douggie Moffitt as always went well.

(d) The camera crew for the Budget Broadcast gave some signs of being drunk. There was no reason why they should hang around No 11 all day, and I think in future we should make sure that they stay there for the minimum amount of time.

[But why say "hanging round No.11" = "drunkenness"?]

(e) It is a pity that Weekend World did not do a straight post-Budget broadcast. I am sure we were right in turning down their invitation to appear in the programme that was produced.

(iii) Press briefings - Annex C I thought the programme of post-Budget press briefings was well worth the effort. The reception of the Budget the day after was mixed. A good number of points were clawed back in the succeeding days. I would not cut down on the list, and would probably add Ronald Butt or an appropriate feature writer from The Times. It was fortuitous that the Reuters lunch fell during Budget week, and we should make sure that we keep all these days free in future for more profitable occasions. Ideally, we should see the Regional City Editors on the Friday of Budget week rather than a week later. On "leaks" and market sensitive articles, please see Mr Page's minute, with which I agree, at Annex D.

(iv) Please see Jack Warden's letter at Annex E. There is no doubt that your briefing of the Lobby was too late for the practical purposes of a large number of lobby journalists; hence the poor attendance, though all the main faces were there. I understand that the practice of always going straight to the Backbench Finance Committee has not been immutable over the years, and if it were possible to see the Lobby first, this would be of great practicable benefit to them. But I cannot judge how far this would offend the Backbenchers.

Backbenchers @ 30' after Leader of Oppn sits down would be OK. A new Parlt would be best time to make the change

3. There are a number of practical ways in which IDT can improve on its performance. We need not trouble you with these.

M A HALL

FROM: MISS M O'MARA
DATE: 12 April 1983

MR HALL

cc: Chief Secretary
Economic Secretary
Financial Secretary
Minister of State (R)
Minister of State (C)
Mr Middleton
Mr Kemp
Mr Monaghan
Mr Page
Mrs McKinney
Mr MacKellar
Mr Evans
Mr Macrae
Mr Towers o/r
Mr Segal
Miss Edwards
Mr Johnson
Mr Ridley
Mr Harris

THE BUDGET: PRESS AND MEDIA ARRANGEMENTS

The Chancellor was very interested to read your minute of 30 March and has expressed gratitude to you and all your IDTT for their pre-and post-Budget efforts.

2. On detailed points:

(i) Photocalls

(a) Chancellor agrees that the constituency photocalls should be confined to the pub in future.

(b) The Chancellor also favours an earlier photocall, which has the added advantage of avoiding an interruption during the morning. He agrees that the live coverage on Breakfast TV was worthwhile.

/(ii) Radio and

(ii) Radio and Television

(a) The Chancellor agrees that your talents would be better employed in talking to key correspondents on Budget evening. More generally, he would like the broadcast text to be seen by Ministers at a much earlier stage. He notes that in the last couple of years useful suggestions from other Ministers have arrived at too late a stage to be put to maximum use. He agrees that the head of IDT should continue to be involved in preparation of the text up to the final performance.

(b) The Chancellor agrees that Thursday looks the best day for an appearance on the Jimmy Young Show, for the reasons you suggest but he notes that this could clash with Cabinet. He therefore wonders whether he might be able to record the programme earlier in the morning.

(c) The Chancellor has commented that he would need a <u>great</u> deal of persuasion to appear on BBC Breakfast TV again.

(d) The Chancellor notes your point but wonders why "hanging around No 11" should be equated with drunkenness!

(e) The Chancellor agrees that it was right to turn down Weekend World's invitation on the basis on which it was extended.

(iii) Press

(iii) Press Briefings

Chancellor agrees that the post-Budget press briefings were well worthwhile. He endorses your suggestion that the Regional City Editors should ideally be seen on the Friday of Budget week.

He agrees with you and with Mr Page on the value of Mr Riddell's article on green budgetry. He has commented that the point is still not sufficiently well understood and that we should make sustained efforts to get the message across in the coming months both to refute the "leaks" canard and, more importantly, to convince the public that we have now gone about as far as it is practicable to do in order to meet the arguments of the Armstrong Committee and the TCSC.

The Chancellor suggests that probably our only major failure has been in the refutation of the "doing it all with mirrors"/"cooking the books" story both in relation to the contingency reserve and to shortfall. He has commented that part of this - the changes between last year and this in the FSBR treatment of shortfall - is perhaps almost too hard to remedy but he believes that we should still mount a specific exercise directed at all the economic and City correspondents who are still not convinced. He draws attention in particular to an article in this week's Investors Chronicle.

(iv) The Chancellor has commented that there should be no problem in seeing the Backbench Finance Committee about 30 minutes after the Leader of

/the Opposition

the Opposition has sat down. He has noted that the best time to make the change would be at the beginning of a new Parliament.

MOM

MISS M O'MARA