

Prime Minister

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17.7.89

Sir Emmanuel Kaye rang me about the enclosed and delivered it today. As he is going to mention it on Saturday, shall I pass it to Paul Gray for comments for you before Saturday?

Gay

Yes - but we shall

find it difficult to get them by that time.



10 DOWNING STREET

THE PRIME MINISTER

10 October, 1979.

Dear Emmanuel,

Thank you for your letter of 3 October and for the copy of your submission to Geoffrey Howe on capital taxation.

As you probably know, Geoffrey has asked Arthur Cockfield to carry out a full review of Capital Gains Tax and Capital Transfer Tax; and I know he will be grateful for your great practical experience of these matters and the expertise with which the case is presented.

Yours ever,

(SGD) MT

Sir Emmanuel Kaye, C.B.E.

Prime Minister



Emmanuel Kaye  
has written to  
you three times  
in the last few  
weeks.

10 DOWNING STREET

PRIME MINISTER

Your request  
R. 9/10  
S/L

Attached is a letter from  
Emmanuel Kaye together with a  
very detailed submission which  
he has sent to the Chancellor  
on capital taxation. I attach  
a draft letter which you might  
like to send in reply.

Let another letter?  
I signed with  
yes to Kaye?

Could  
you please  
sign.

5 October 1979

Mr  
S. L. 29  
R.

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The Rt. Hon. Mrs. Margaret Thatcher, M.P.  
Prime Minister  
10 Downing Street  
LONDON SW1.

3rd October, 1979

My dear Prime Minister,

CAPITAL TAXATION

When you were leading your spirited attack on capital transfer tax, you stated that you would repeal it and supported your statement with a number of weighty arguments but, nevertheless, some thought that this would not be feasible. However, you will be happy to know that you were fully in tune with a rising trend, since the Federal Governments of Canada and Australia have done just that.

Our work in preparing our representations to the Chancellor of the Exchequer on capital taxation has greatly strengthened our belief that there is a powerful case for the abolition, rather than the mere reduction or reform of capital transfer tax. Abolition is correct in principle, cheap in revenue terms, and strongly supported by the recent precedents I have quoted.

Abolition of the corresponding taxes in Canada and Australia has been widely welcomed, little criticised and has caused no political difficulties. Australia is particularly interesting because of its close cultural affinities with Britain and its strong trades unions, and its Labour Party. Australia has no capital gains tax either. This is the system we would like to see adopted in Britain.

The case for the abolition of capital transfer tax, as well as, alternatively, its mere reduction and reform, is set out in our representations and is briefly dealt with in our covering letter to the Chancellor of which I enclose a copy together with our submission. We have tried hard to make it the most comprehensive and thorough of those your Government is likely to receive on this subject - and we hope the most helpful.

With every good wish,  
Yours very sincerely,  
Emmanuel.



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*Sir Emmanuel Hays, C.B.E.  
Chairman & Governing Director*

3rd October, 1979

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,  
Chancellor of the Exchequer  
11 Downing Street  
LONDON S W.1.

*The Submission on Capital  
Taxation can be found  
in the attached folder.*

*My dear Chancellor,*

CAPITAL TAXATION

I have pleasure in submitting representations on Capital Taxation on behalf of the Unquoted Companies' Group, whose 21 members provide employment for 171,000 people and whose present insoluble capital taxation difficulties are echoed by thousands of other independent unquoted companies up and down the country.

We hope you will implement our proposals in the Budget and Finance Bill, 1980.

We have tried to make these representations the most comprehensive and thorough of those you are likely to receive on this subject. We have also done our best to make them helpful to you, especially by detailed costing of alternative reductions in the rate schedule and elsewhere, wherever possible. We suspect that our representations will contain numerous points of interest that will not be put to you by others; and we hope that it will be possible for you to give them your personal attention.

We ask you to consider very seriously abolishing capital transfer tax and capital gains tax. The combined yield of the remaining taxes on capital - stamp duty, development land tax and rates - would still be a larger proportion of gross domestic product than in any other European country, 4.13 per cent compared with an average of 1.66 per cent in our continental European partners.

At present, gifts of substance inter vivos often attract three taxes - capital gains tax, capital transfer tax, stamp duty. The abolition

/over.....



of capital transfer tax and capital gains tax would still leave stamp duty.

We recognise that abolition of capital transfer tax and capital gains tax goes beyond the policies to which the Government is committed. But the case for abolition is strong - in principle, in revenue terms, as a major simplification of the tax system and as part of the current trend in the English-speaking world (Canada and Australia), where abolition of taxes on capital has been widely welcomed and little criticised. Because the case for abolition has not received the attention it deserves, we explain it in our submission and urge that it be seriously considered as on balance much the most attractive option.

If, to our regret, you are not persuaded by the arguments for abolishing these two taxes, the submission lists a number of indispensable reforms, including tapering for capital gains tax and reducing the rate structure for capital transfer tax. It is partly because these reforms would account for a large part of the yield of these two taxes that we regard their abolition, rather than mere reduction, as the best and simplest solution.

When you have had an opportunity of considering the submission, the taxation committee of the Unquoted Companies' Group (4 members) would greatly appreciate being able to discuss it with you either in your office or, if you prefer to save your office time, over lunch or dinner.

Yours ever,  
Emmanuel.

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