



MJ IABT

cc FS, HWT

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THE PRIME MINISTER

21 July 1989

*Dear Kenneth,*

Thank you for your letter of 17 July in which you referred to the question of 1982 valuations of unquoted shares for capital gains tax. I thought it might be best if I responded before we meet on Saturday.

This is a complicated issue which I know Nigel Lawson and Norman Lamont have looked at on many occasions over the last year or so. I understand that you yourself saw Norman Lamont to discuss it on 12 April.

You suggest in particular that there should be a one-year concession for married couples who did not understand that they could arrange to bring their pre-1982 holdings of unquoted shares together for valuation purposes. Having had one or two enquiries on the point, the Revenue thought it helpful to publish a Statement of Practice about it in May. But this was, I am advised, never an area where the words of the legislation left any room for argument. The Revenue's Statement set out the strict effect of the law. It may be that some taxpayers and their advisers did not fully appreciate the effect of the law: but if they were in doubt they could always have asked the Revenue, who would have told them the answer. I would see some difficulty in the Government agreeing to a concession which was introduced

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solely because some taxpayers might have arranged their affairs differently but for their failure to understand what the law meant. But I am sure that this is a question Norman Lamont will be able to cover when you see him again next week.

Yours  
Raymond

Sir Emmanuel Kaye, CBE.