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PRIME MINISTER

MPs Expenses Payments and Tax

The Chancellor, Lord Privy Seal, Chief Whip and Financial Secretary are coming to talk about the Chancellor's proposals. His solution is that, in future, MPs (and Ministers) should receive the £6,000 additional costs allowance free of tax but in return no claims for expenses would be accepted by Inland Revenue above this figure. This is bound to be difficult to present as MPs will look like judge and jury in their own case, awarding themselves a tax free allowance.

I think you need to probe a number of comparisons and sources of envy:

- (i) between MPs and the general public
- (ii) between inner London MPs and the rest
- (iii) between MPs with expensive London homes and the rest
- (iv) between MPs and Ministers.

You will also want to know whether the Lord Privy Seal and Chief Whip have any reservations or any modifications to suggest and whether they believe Opposition MPs would accept this package.

On (i), you should ask the Chancellor to set out as convincingly as possible how the proposed solution can best be defended. The answer appears to be that in para. 13, that MPs are virtually unique in needing both to live and work in two places and to provide their own housing in those two places. Most of the other cases of people working in two centres identified by the Treasury, e.g. oil executives working in Aberdeen and at Head Office in London, will have a company provided residence in one location. But there could be other counter-examples to embarrass the Government.

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On (ii), the position of the inner London MPs is unchanged.

On (iii), the Chancellor identifies out-of-town MPs who maintain expensive inner London homes as the main losers. This is because a ceiling of £6,000 is being set on all reimbursement of expenses. Previously anything over the £6,000 claimed from the Fees Office could, Inland Revenue willing, be claimed as a deduction.

On (iv), Ministers will benefit since they will now get the £6,000 in full, tax free, whereas before they could off-set only two-sevenths of their additional living expenses against the £6,000 and had to pay tax on the rest. This might be an additional source of criticism unless it can be convincingly shown that the previous treatment for Ministers was unfair.

AS

28 February 1984

MR. BUTLER  
MR. COLES  
MR. TURNBULL ✓  
MR. FLESHER  
MR. BARCLAY  
MR. ALISON  
MR. SHERBOURNE

BF

I have arranged the following meeting with the Prime Minister:-

Subject ..... MP's Pay  
Date ..... 29 Feb  
Time ..... 1730  
Venue ..... No 6  
Person/people invited .....  
..... ChEx, WPA CW  
Added Ministerial attendance .....

Briefing

- a) I have commissioned briefing from .....
- ✓ b) Could you arrange briefing if necessary

CR

Caroline Ryder

CF. No briefing required: