



Prime Minister

(2)

To note X and Y

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Mus 9/11

LORD PRESIDENT OF THE COUNCIL

NATIONAL INSURANCE SURCHARGE BILL

In my minute of 5 November to the Prime Minister and Cabinet colleagues I referred to the need for urgent legislation to give effect to the proposals, announced yesterday, to reduce the National Insurance Surcharge this year and next. I now attach the draft of the Bill: the explanatory and financial memorandum is being drafted.

The Bill

2. The proposals - which were spelt out in more detail in my minute of 5 November - are as follows:-

- (i) The Bill provides for the Surcharge to be reduced by one percentage point to $1\frac{1}{2}$ per cent from next April. Private sector employers will benefit by about £700 million in 1983-84. Public sector employers will pay the $1\frac{1}{2}$ per cent rate but the saving to them will be offset by changes in cash limits, external financing limits and the RSG.
- (ii) The Bill also provides for a further reduction in 1982-83 broadly equivalent to $\frac{1}{2}$ per cent off the NIS for private sector employers, and worth about £350 million to them. The public sector will be treated precisely as when the rate was reduced earlier this year - local authorities and certain other bodies will continue to pay at the old rate through 1982-83; other public sector bodies will be entitled to the reduction but there will be offsetting changes in their cash limits and EFLs.



X | 3. There must be some risk of amendments proposing larger reductions. But I am advised that it is not possible to restrict the scope of the Bill so as to prevent them. A proposed reduction in a tax does not need any kind of financial resolution so there will be no resolution by reference to which amendments could be ruled out of order; as this Bill will deal with the rate of the tax, anything to do with the rate must be within its scope.

4. Parliamentary Counsel has confirmed that it will be a money Bill. There are no European Community implications.

Timing

5. To give effect to the 1982-83 reduction, the Inland Revenue need to send to the printers by 17 December their leaflet of guidance and instructions to employers. This leaflet will be issued on 26 January to around 1 million employers who will make their first deductions from payments any time from 6 February. DHSS will issue their detailed NIS/NIS tables for 1983-84 at the beginning of February.

Y | 6. This timetable points to completing Report Stage by the Christmas Recess and securing Royal Assent before 26 January. With this timetable in mind I understand that you wish to have Second Reading in the week beginning 22 November. and to introduce the Bill this Friday, 12 November. This in turn means that we need agreement to it by tomorrow night, to allow for printing on Thursday.

7. Hence this minute; which I am copying to all members of the Legislation Committee. I am sorry that the timing appears to preclude discussion in Committee; and I should be grateful for your confirmation of the timetable, and agreement to the terms of the Bill, by tomorrow night.

CONFIDENTIAL



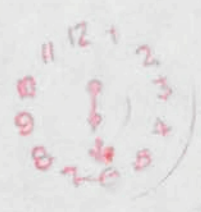
8. Copies of this minute and draft Bill also go to the Prime Minister, other members of Cabinet, Parliamentary Counsel and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a large, stylized initial 'G' followed by a smaller 'H'.

G.H.

9 November 1982

Handwritten red scribble or mark.



RESTRICTED

National Insurance Surcharge

1

DRAFT
OF A
B I L L
TO

Reduce the surcharge imposed by the National Insurance Surcharge Act 1976. A.D. 1982

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

5 **1.**—(1) In section 1(1) of the National Insurance Surcharge Act 1976 (surcharge on earnings in respect of which secondary Class 1 contributions are payable) for the words "2½ per cent." there are substituted the words "1½ per cent." Reduction of national insurance surcharge. 1976 c. 85.

(2) Subsection (1) above has effect in respect of earnings paid
10 on or after 6th April 1983.

(3) Every person (other than a body mentioned in section 143(4) of the Finance Act 1982) who pays, or is liable to pay, in respect of earnings paid within the period beginning with 4th January 1983 and ending with 5th April 1983, the surcharge
15 imposed by the Act of 1976, shall be entitled to a reduction in the amount of his liability in respect of the surcharge for the tax year 1982–83 calculated in accordance with the following provisions of this section. 1982 c. 39.

(4) The reduction to which a person is entitled under subsection (3) above shall be an amount equal to 3 per cent. of the aggregate amount of—

(a) the primary and secondary Class 1 contributions paid by him, or which he is liable to pay, as a secondary Class 1 contributor in respect of any earnings paid in the tax year 1982-83; and

(b) the surcharge paid by him, or which he is liable to pay, under the Act of 1976 (disregarding subsection (3) above) in respect of any such earnings.

(5) The Schedule to this Act has effect for the purpose of supplementing subsections (3) and (4) above; and any amount to which a person is entitled by virtue of subsection (3) above shall be recoverable in accordance with the provisions of that Schedule.

Short title
etc.

2.—(1) This Act may be cited as the National Insurance Surcharge Act 1982.

(2) This Act extends to Northern Ireland.

SCHEDULE

SUPPLEMENTARY PROVISIONS

Methods of recovery

1. Any amount to which a person (the "employer") is entitled by virtue of section 1(3) of this Act shall be recoverable—

(a) by deduction in three stages in accordance with paragraph 2 below; or

(b) from the Commissioners of Inland Revenue in accordance with paragraph 3 below.

2.—(1) The amount recoverable by deduction at the first stage shall be equal to 3 per cent. of such part of the aggregate amount mentioned in section 1(4) of this Act as is attributable to earnings paid before 6th February 1983.

(2) The amount recoverable by deduction at the second stage shall be equal to 3 per cent. of such part of the aggregate amount mentioned in section 1(4) as is attributable to earnings paid before 6th March 1983 but shall be reduced by any amount recovered at the first stage either by deduction or under paragraph 3 below.

(3) The amount recoverable by deduction at the third stage shall be so much of the amount to which the employer is entitled by virtue of section 1(3) of this Act as remains unrecovered.

(4) The amount recoverable by deduction at any stage shall be deducted by the employer from the contribution payments which he is liable to make in the appropriate period.

(5) In sub-paragraph (4) above—

"contribution payments" means payments by way of primary and secondary Class 1 contributions for which the employer is liable as a secondary Class 1 contributor and any surcharge payable with those secondary Class 1 contributions; and

"appropriate period" means the period of 14 days beginning—

(a) in relation to the first stage, with 6th February 1983;

(b) in relation to the second stage, with 6th March 1983;

and

(c) in relation to the third stage, with 6th April 1983.

3. Where, at any of the three stages, the employer fails to recover the whole, or any part, of the amount which he is entitled to recover at that stage by deduction under paragraph 2 above he may recover from the Commissioners so much of that amount as remains unrecovered.

4. *Treatment of primary Class 1 contributions for which secondary contributor is not liable*

4. For the purposes of subsection (4) of section 1 of this Act, any primary Class 1 contributions for which a secondary contributor is not liable in the first instance but which are payable in respect of earnings paid by him in the tax year 1982-83 shall be treated as contributions falling within paragraph (a) of that subsection.

Record of deductions made under paragraph 2(4)

5.—(1) Every person who purports to be entitled to any amount by virtue of section 1(3) of this Act shall show, in the statement and declaration which accompanies his contributions return, the aggregate of the amounts (if any) deducted by him in accordance with paragraph 2(4) above. 5

(2) In this paragraph "contributions return" means the return required by regulation 30 of the Income Tax (Employments) Regulations 1973 as applied to earnings-related contributions under the Social Security Act 1975 by Schedule 1 to the Social Security (Contributions) Regulations 1979. 10

S.I. 1979/591.

Effect on liability for Class 1 contributions

6. Nothing in this Act shall affect the liability incurred by any person in relation to secondary or primary Class 1 contributions in respect of the tax year 1982-83; but the amount of any deduction made under paragraph 2(4) above shall be treated as having been duly paid by that person towards the discharge of that liability so far as it exceeds the amount of the surcharge comprised in the contribution payments from which that deduction is made.

Interpretation

20

7.—(1) In this Act "tax year" has the same meaning as in the Social Security Act 1975.

1975 c. 14.

(2) For the purposes of this Act the period within which any earnings are to be treated as paid shall be the period within which they are so treated for the purpose of determining the liability (if any) of any person to pay primary or secondary Class 1 contributions in respect of those earnings. 25

RESTRICTED

National Insurance Surcharge

DRAFT

OF A

B I L L

To reduce the surcharge imposed by the National Insurance Surcharge Act 1976.

I-D (2)

9th November, 1982

3-2

(5503/10)

48/4

Privy Council Office,
Whitehall,
London, SW1A 2AT

NB PM

With the Compliments

ms 10/11

of the

Lord President of the Council

Econ Pol

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

10 November 1982

Dear Geoffrey,

Thank you for your minute of 9 November seeking the agreement of Legislation Committee to the introduction of the National Insurance Surcharge Bill on Friday. In the absence of any objection from colleagues by 6.00 pm tonight, you may take it that you have the Committee's agreement to making arrangements with Michael Jopling accordingly. Given that this is a money Bill, I foresee no major difficulty about the timetable which you outline in paragraph 6 of your minute, and we shall, of course, do our best to keep to it.

I am copying this letter to the recipients of your minute.

A handwritten signature in dark ink, appearing to read 'John Biffen', written in a cursive style.

JOHN BIFFEN

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

Econ Pal : Budget 1989

10 NOV 1982

11 12 1 2 3 4
10 9 8 7 6 5

Econ Pol

MBPM

MS 12/11



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
LONDON SW1

Nov 10 1982

Geoffrey

NATIONAL INSURANCE SURCHARGE BILL

You asked for agreement by tonight to your draft Bill circulated under cover of your minute of 9 November to The Lord President.

I am generally content with the Bill. I understand that my officials are in touch with yours on the details of the Bill. Subject to any minor drafting amendments that may be agreed between them, you have my agreement.

I am copying this to recipients of your minute.

Yours

[Signature]

NORMAN BOWLER

Econ Pol
Budget



PT 9 DEPARTMENT OF HEALTH & SOCIAL SECURITY

11th Floor, Whitehall, London, SW1A 2HQ

Telephone 01 707 5323

From the Secretary of State for Social Security

11 NOV 1982

11 15 1
11 15 1
11 15 1

The Secretary of State for Social Security
11th Floor, Whitehall, London, SW1A 2HQ
Telephone 01 707 5323

[Handwritten signature]

Dear Sir,
I am sorry to hear that you are unable to attend the meeting on the 11th November 1982. I am sure that you will be able to attend the meeting on the 12th November 1982. I am sure that you will be able to attend the meeting on the 12th November 1982.

Yours faithfully,
[Handwritten signature]



From the Government Chief Whip
House of Lords

ELON POL

MSPM

MS 12/11

12 November 1982

Dear Lord President,

NATIONAL INSURANCE SURCHARGE BILL

I have seen Geoffrey Howe's minute to you of 9 November about Parliamentary handling of this Bill. I was not able to respond before the deadline mentioned in paragraph 7 of the minute but I do not think that my comments could possibly have affected the timing of Introduction in the Commons.

I am pleased to see that the Bill is expected to be certified as a Money Bill. This means that it will be debated on Second Reading in the Lords with all other stages being taken formally. This will enable us to avoid the timing difficulties which we experienced on the Social Security (Contributions) Bills of 1980 and 1981. Indeed, if the Bill completes its Commons stages before Christmas, it should be possible to achieve Royal Assent before the recess.

However, it is as well to point out that Mr Speaker does not certify Bills until after Third Reading in the Commons and until then it is impossible to say for sure that he will certify. I know that Parliamentary Counsel will alert us between now and Third Reading in the Commons if there is any doubt about certification. In those circumstances we would have to have another look at the timetable although I understand that the chances are very high that the Bill will be certified.

I am copying this letter to Geoffrey Howe and the other recipients of his minute to you of 9 November.

Yours sincerely
Michael Powell

DENHAM

The Rt Hon John Biffen MP
Lord President of the Council

Approved by Lord Denham and
signed in his absence

Econ Pol
Budget

12 NOV 1982

