

Home Affairs

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See later.

Family Policy Group: Charities and Tax Avoidance

You may by now have seen the note of the discussion at the last meeting of the Family Policy Group of the Home Secretary's paper on private giving to the voluntary sector. (Tim Flesher's letter of 19 April to Tony Rawsthorne refers.) In view of the work which the Chancellor has undertaken on this matter, I thought that you might find it useful if I were to expand briefly on Flesher's summary of the discussion and, in particular, on the second sentence of the penultimate paragraph of his letter in which he refers to "the administrative savings that might be made in the administration of the law on charity finances."

As Flesher reports, the Chancellor expressed concern about the extent to which the present fiscal incentives to charitable giving were being abused for purposes of tax avoidance and pointed out that the present law was very difficult to police effectively notwithstanding the fact that there were about 500 officials employed on charities matters in the Revenue and in the Charity Commission. There followed a brief discussion of the political difficulties inherent in reviewing charity law, at the conclusion of which the Chancellor undertook to examine ways of reducing the present scope for tax avoidance without touching charity law. I imagine that he had in mind the sorts of thing which we have been discussing; e.g., the US provision which requires charities to distribute a certain percentage of their annual income.

I hope that this gives you a slightly clearer idea of what was discussed at the meeting and of the sort of work that you may be called upon to put in hand. As I told you when we spoke, the CPRS would be happy to help with this work.

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I am sending copies of this letter to David Faulkner (Home Office), Peter Kemp (HM Treasury), Tim Nodder (DHSS), Mary Brown (Lord Privy Seal's Office), Richard Hatfield, Ferdie Mount and Tim Flesher.

Gj
Andre Wasserman

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