

L.T.

MR. HOWE

I return Lord Thorneycroft's letter about the Business Opportunities Programme.

Geoffrey Howe has announced the modifications on the start-up scheme today. I have asked the Treasury to suggest a reply for the Prime Minister to send to the Chairman. We may possibly get this tomorrow evening.

MA

4 June 1981

PRIME MINISTER

I mentioned to you yesterday that the Chairman had written to you setting down a series of objections to the small print of the Chancellor's Business Opportunities Programme.

You will also know that the Chancellor has made significant modifications. These were announced yesterday. The Treasury will let us have a draft reply to Lord Thorneycroft, which will doubtless rest on the newly announced modifications.

A handwritten signature in black ink, appearing to be 'M.P.' or similar, located on the right side of the page.

5 June 1981

FILE

VLB

4 June 1981

RF 11.6.81

I enclose a letter to the Prime Minister from the Chairman of the Conservative Party, about the Business Opportunities Programme.

The Prime Minister will wish to reply to Lord Thorpecroft as soon as possible, and I should be grateful if you would let us have a draft in the first half of next week.

I should also be grateful if you would let us have, on the Parliamentary network, a line for the Prime Minister to take on these issues at Question Time this afternoon.

M A PATTISON

R. I. Tolkien, Esq.,
H.M. Treasury.

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10 DOWNING STREET

Dear Howe

This came to
us. I assume
you will want
to handle (tho'
we can commission
a ~~ad~~ debt study
if you wish.)

R.

3/6

From

THE CHAIRMAN OF THE PARTY

The Rt. Hon. The Lord Thorneycroft C.H.

CONSERVATIVE & UNIONIST CENTRAL OFFICE,
32 SMITH SQUARE,
WESTMINSTER, SW1P 3HH,

Telephone: 01-222 9000

PT/CAW

3rd June, 1981

Dear Prime Minister

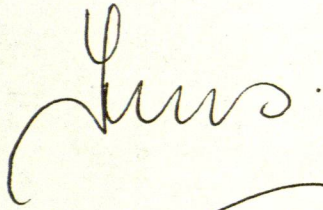
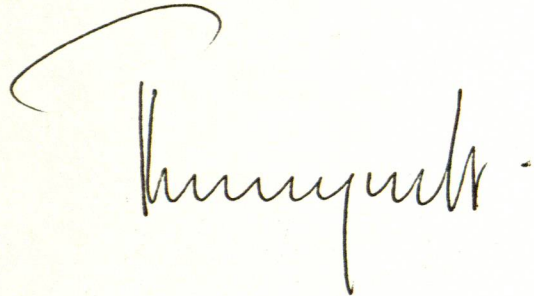
On the 5th May, you and Geoffrey Howe launched a project at No.11 Downing Street, entitled 'The Business Opportunities Programme' and designed to tell people all that the Conservative Party is doing to create a completely new climate for enterprise and small business. In so doing we are seen to be fairly and squarely in the van of the movement to assist and liberate the development of small firms in this country. In particular you incorporated in this project two new advances; the Loan Guarantee Scheme and the Business Start-Up Scheme - both much advocated by the small business community and taken up with courage and imagination by the Chancellor of the Exchequer and the Secretary of State for Industry.

I am, alas, bound to tell you that as seen from here these initiatives are not only running into the sand but are in some real danger of turning into a political disaster. The Loan Guarantee Scheme, as worked out, I think subsequently to your launch, between the Department of Industry and the banks, looks like involving interest rates too high for any real achievement. This at least is my present information. The Business Start-Up Scheme is accompanied by seventeen pages of clauses inserted by the Inland Revenue and designed, no doubt admirably, to eliminate any chance of tax evasion. These clauses will probably achieve their purposes but in doing so they seem also to ensure that any chance of actually using the scheme is significantly reduced. I understand that the cost of taking professional advice, which would certainly be needed to run the risk of participating in the exercise, could almost be as much as any eventual gain from joining in. Not only that, but the relief can be withdrawn over a five-year period as a result of events outside the control of the minority risk investor.

Back-bench amendments have, I believe, been tabled but the last thing one wants politically is the sight of a Government fighting a rearguard action on the subject of its own innovative policy. If the high hopes of the launch are to be realised it does seem to me that a high level initiative by the Government itself is much needed. We are not in any event very popular with our traditional supporters in small business and Clause 34 in the Finance Bill, which seeks to tax at source the income of small companies which supply workers through agencies for major design

engineering and research contracts undertaken by large companies, is adding to our problems. I am assured that there could be as many as 30,000 Conservative independent businessmen at risk from this clause, despite the fact that their tax records are up to date and honestly kept.

A failure in these matters would gravely damage our image in an area where we are expected to move with confidence.

A handwritten signature in cursive script, appearing to read "Mrs. Thatcher".A handwritten signature in cursive script, appearing to read "Margaret Thatcher".

The Prime Minister