

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

CONFIDENTIAL

NBA  
AT 13/7

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

5 July 1984

CAPITAL ALLOWANCES IN AGRICULTURE

When you wrote to me in <sup>at May</sup> May you set out the reasoning which underlay your decision to withdraw first year capital allowances. I understand that you have now written in similar terms to Sir Richard Butler making it clear that you see no prospect of exempting the farming industry from these changes.

While I quite understand your wish to maintain the general line against the wide ranging representations which have been made, I must express my disappointment that it has not been possible to take account of the likely impact in agriculture. As I pointed out in earlier correspondence, the competitive edge which our industry has achieved has depended to a large extent on its willingness to invest in the most up to date and efficient plant and machinery. That willingness is likely to be significantly reduced under the new arrangements.

Like you I have no wish to encourage investment with low or negative pre-tax rates of return but I do believe that the balance has swung against the unincorporated sector in the strategy which is now being pursued. Although you suggest that individual farming businesses could seek incorporation if they felt that was to their overall advantage this is a step which goes beyond tax considerations and I doubt whether it will prove to be an option which is attractive to many farmers.

/I would like ...

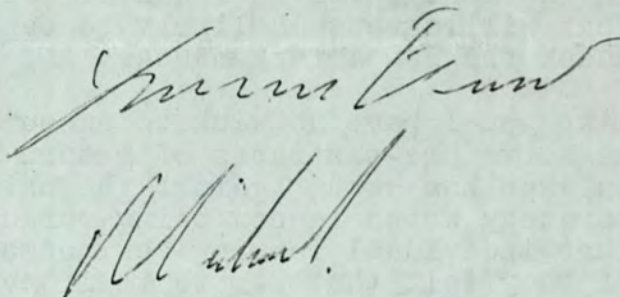
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I would like to revert to one aspect of the new arrangements which requires further consideration. That is the question of the regime to be applied to agricultural buildings after 1 April 1986.

A writing down allowance of 4% per annum is not appropriate for many of the short life buildings which are used in horticulture and in the pig and poultry sectors. It does not appear sensible to have a writing down period which could be 10 years longer than the physical life of the building. If we are not to discriminate against such investments special arrangements will be required and I should welcome your assurance that this point will be taken fully into account when the enabling provisions are being drafted.

I am copying this letter to the Prime Minister and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read "Michael Jopling".

MICHAEL JOPLING