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Dear

Freedom of Information Act 2000: Inheritance tax (IHT)

1. You asked for 'any information showing when the Chancellor of the Exchequer Alistair Darling or officials at the Treasury first considered proposals to double the inheritance tax threshold for married people to £600,000' and particularly 'when were papers first submitted on this proposal'.
2. This proposal has first of all been announced in the Pre-Budget Report (PBR) and secondly the Chancellor has already stated publicly that work has been going on prior to announcement for some time. In the Pre-Budget Report, the Chancellor announced that the individual Inheritance Tax allowance (currently £300,000) would become transferable between married couples and couples in civil partnerships, so the allowance for the couple is doubled. This measure was also made retrospective for all current widows and widowers. This year, the measure means an effective tax-free allowance of £600,000 for couples, rising to £700,000 by 2010.
3. I confirm that the Treasury holds information relating to this measure, and therefore falling within the description of your request. We have records of officials considering the proposal on 9th January 2007. Advice on this measure entitled "Workstream H: Measure 1220 - Inheritance tax transferable nil-rate bands" was sent to Treasury Ministers as pre-Budget advice on 6th March 2007.
4. You asked when the current Chancellor first considered these proposals. Following his appointment, the Chancellor received the above paper on 27th July 2007. The Chancellor confirmed that this measure was under discussion for the Pre-Budget Report on 20th August 2007. Advice on "Inheritance tax (IHT): transferable allowances" was received by the Chancellor on 3rd September 2007. The Chancellor responded to this advice on 5th September 2007 asking officials to work up final proposals. Subsequent detailed costings followed before the Pre-Budget Report set out all details on inheritance tax reforms on 9th October 2007.
5. To search both paper and electronic records for the period before 2007 to identify the first recorded consideration of this option would entail searching all



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papers relating to inheritance tax for an indefinite period. We therefore estimate that the cost of complying with your request would exceed the appropriate limit of £600.

6. This represents the estimated cost of one person spending three and a half working days in determining whether the Treasury holds the information, and locating, retrieving and extracting the information. Under section 12 of the Freedom of Information Act departments are not obliged to comply with requests in these circumstances.

7. However, in relation to the information we have identified, we consider that that the exemption in section 35(1)(a) of the Act applies. This is a qualified exemption that is subject to the public interest balancing test.

8. We recognise that there is a public interest in promoting greater transparency in the process of tax reform to allow a more informed debate, give a wider number of people an opportunity to contribute to that debate and increase trust in the quality of decision making.

9. However there are also public interest grounds for not releasing the information:

- The information we hold concerns the internal considerations and policy development that led up to the Pre-Budget Report statement on 9th October 2007.
- It is in the public interest that decision-making is based on the best advice available after full consideration of all the options.
- Policy development is an iterative process that requires officials to propose, test and refine through the life cycle of the policy's development. Ministers and officials must be able to conduct rigorous and candid risk assessments of their policies and programmes. This process could be weakened if information was released, as officials could in future be less candid in expressing their views or testing policy options.
- The impartiality of the civil service could be undermined if advice was routinely made public as there is a risk that officials could come under political or public pressure not to challenge ideas during the policy formulation process.

10. Having considered the balance of the public interest in relation to this exemption, we have concluded that the public interest in maintaining it outweighs the public interest in disclosing the information. Accordingly, we do not propose to disclose all the information you have requested.

11. I would draw your attention to the evidence given by Treasury officials to the House of Commons Treasury Select Committee on 17th October 2007,

and to the statement made by the Chancellor of the Exchequer in the House of Commons on 18th October 2007 relating to parliamentary questions (these are available online - see <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtreasy/uc1031-ii/uc103101.htm> and <http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm071018/debtext/71018-0002.htm#07101820000906>).

12. If you have any queries about this letter, please contact the Correspondence and Enquiry Unit at: public.enquiries@hm-treasury.gov.uk. It will be helpful to us if you remember to quote the reference number above in any future communications.

Information Rights Unit

Your Rights to Complain under the FOI Act

If you are unhappy with the service you have received in relation to your request and wish to make a complaint or request an review of our decision, you should write within two months of the date of this letter to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ. email - public.enquiries@hm-treasury.gov.uk

If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF