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## Editorial

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### Budget Gains and Losses

Budget proposals are usually implemented on announcement in the confident expectation of being enacted when the Finance Act is passed later in the year. This year, however, Mrs Thatcher's decision to call a General Election for June 9 left the Budget in a state of suspended animation, made more uncertain by the Labour Party's pledge not to implement some of the proposals.

As the Government was returned for a further period in office, the uncertainty surrounding the modest though welcome increase in mortgage relief is now removed and those with appropriately-sized mortgages will not have to endure the snatching away of this long-overdue adjustment. However, the Budget is not a tale of joy all round, for it proposes in Clause 23 that new scholarships provided after March 15, 1983 for the children of directors and "higher paid employees", are to be taxable in the parents' hands, thus reversing the hard-won (and doubtless expensive) decision in *Wicks v Firth* [1983] 2 WLR 34. Other minor tightenings of the noose include the increase in tax payable from April 1984 by a director or employee on the benefit he gains through occupying a company

house or flat rent-free or at a nominal rent and a widening of the scope of Schedule E (PAYE) as against Schedule D (self-employment). There is also a whole new Chapter setting out the concept of Controlled Foreign Companies, ie companies resident outside the UK but controlled by UK residents and imputing certain tax liabilities to them unless certain conditions are met.

There are, however, a number of proposals of an encouraging nature, especially to businesses: for example, capital allowances will now be available in respect of parts of industrial buildings which are not wholly used for industrial purposes provided the non-industrial part does not exceed 25 per cent of total expenditure; and slightly larger premises will now qualify for allowances under the "very small workshop scheme." The National Insurance Surcharge is to be reduced from 1.5 per cent to 1 per cent for earnings paid after July 31, 1983.

Clause 95 and Schedule 17 make some important changes for the operation of the system. Special Commissioners are to be appointed by the Lord Chancellor and no longer by the Treasury and it is to be provided that appeals from the Special Commissioners by way of case stated will lie direct to the Court of Appeal. At the same time, the taxpayer's right to go before the Special rather than the General Commissioners is to be restricted.