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10 DOWNING STREET

From the Private Secretary

16 February 1984

Building Societies: Taxation of
Profits on Gilts

At their meeting this morning, the Prime Minister and the Chancellor discussed your letter to me of 14 February. The Chancellor explained that, in the long term, this measure should not have a significant impact on the flow of mortgages or on the mortgage rate. He told the Prime Minister that it would represent on average a reduction in the margin of 0.1%. In the light of this, the Prime Minister agreed that this change should be made, but without retrospection.

ANDREW TURNBULL

John Kerr, Esq.,
H.M. Treasury.