

Confidential Filing

Pentec lifeboat Disaster Fund

HOME
AFFAIRS

December 1981
~~January 1982~~

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4-1-82							
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PREM 19/784



01-405 7641 Extn

Prime Minister 4 Home Affairs
LM 11/3

ROYAL COURTS OF JUSTICE,

LONDON, WC2A 2LL

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
LONDON, SW1.

9 March, 1982.

Dear Prime Minister.

DISASTER APPEALS

I enclose for your information a copy of my memorandum,
which I am now circulating.

This is a revised edition following
conservation.

Yours etc.

Mickens.

DISASTER APPEALS

Action to set up a public appeal following some tragic accident or disaster or an occasion on which some special misfortune is brought to the public eye is generally taken with little time to prepare the ground. The community may well feel an urgent need to give practical expression to its sorrow and respect; and the response may well exceed expectations.

In these circumstances it is not unnatural that questions should arise over the precise status of appeals after they have been set up; and events following the tragedy of the loss of the Penlee Lifeboat show how much unhappiness can be caused by these questions.

The Attorney General is anxious that doubts about the nature of appeals should be avoided if at all possible, and that those who answer an appeal should know that their generosity will have the results which they intend.

Accordingly, the Attorney General, after consultation, has prepared the following guidelines which might usefully be taken into account by those faced with the responsibility of making appeals in the future.

1. THE MAKING OF THE APPEAL.

1. Those who use these guidelines must remember that no two appeals can ever be quite the same, and should do all that they can to ensure that their own appeal is appropriate to the particular circumstances of their case, and runs into no unforeseen difficulties, whether personal, administrative, or fiscal. Amongst the most important and urgent decisions which must be made will be whether or not a charitable appeal is called for, and it may well be desirable to take advice on such questions before the appeal is issued. Generally speaking, the terms of the appeal will be all-important in deciding the status and ultimate application of the fund.
2. Once the terms are agreed, it will generally be desirable to publish the appeal as soon as possible, and as widely as appropriate in the circumstances.
3. Sometimes gifts may be sent before publication of the appeal. If there are more than can be acknowledged individually, the published appeal

should indicate that gifts already made will be added to the appeal fund unless the donors notify the organisers (say within ten days) that this is not their wish.

2. PROS AND CONS OF THE TYPES OF APPEAL.

1. Charitable funds attract generous tax reliefs; donations to them may do so (and in particular will for the most part be exempt from capital transfer tax). But charitable funds, being essentially public in their nature, cannot be used to give individuals benefits over and above those appropriate to their needs; and the operation of a charitable trust will be subject to the scrutiny of the Charity Commissioners.
2. Non-charitable funds attract no particular tax reliefs and donations to them are subject to no special tax treatment (and will have to be taken into account for capital transfer tax purposes unless, as is likely to be the case for the bulk of donations, they are within the normal reliefs). But under a non-charitable trust there is no limit on the amount which can be paid to individual beneficiaries if none has been imposed by the appeal; and only the Court acting on behalf of the beneficiaries will have control over the trust, which will not be subject to scrutiny by the Charity Commissioners.
3. The terms of the non-charitable appeal must be prepared with particular care to ensure that there is no doubt who is to benefit, whether or not their benefit is to be at the discretion of the trustees, and whether or not the entire benefit is to go to the beneficiaries, and if not, for example because specific purposes are laid down and the funds may be more than is required for those purposes, or because the beneficiaries are only to take as much as the trustees think appropriate, what is to happen to any surplus. If specific purposes are laid down, and after they have been fulfilled a surplus remains for which no use has been specified, the surplus will belong to the donors, which may lead to expensive and wasteful problems of administration.

3. FORMS OF APPEAL.

1. If a charitable fund is intended then the appeal could take the following form:-

"This appeal is to set up a charitable fund to relieve distress caused by the accident/disaster at _____ on _____. The aim is to use the funds to relieve those who may be in need of help (whether now or in the future) as a result of this tragedy in accordance with charity law. Any surplus after their needs have been met will be used for charitable purposes designed:-

- (i) To help those who suffer in similar tragedies.
- (ii) To benefit charities with related purposes.
- (iii) To help the locality."

2. If a non-charitable fund is intended and those affected are to take the entirety of the fund in such shares as the trustees think fit the appeal could take the following form:-

"This appeal is to set up a fund, the entire benefit of which will be used for those injured or bereaved in the accident/disaster at _____ on _____ or their families and dependants as the trustees think fit. This fund will not be a charity."

3. A non-charitable fund in which the trustees would have a discretion to give as much as they think fit to those who have suffered with any surplus going to charity could be set up on the basis of the following form:-

"This appeal is to set up a fund for those injured or bereaved in the accident/disaster at _____ on _____ and their families and dependants. The trustees will have a discretion how and to what extent to benefit individual claimants: the fund will not itself be a charity but any surplus will be applied for such charitable purposes as the trustees think most appropriate to commemorate those who died."

4. APPEALS FOR INDIVIDUALS.

1. It sometimes happens that publicity given to individual suffering moves people to give. In such a case it is particularly desirable for those

who make appeals to indicate whether or not the appeal is for a charitable fund. It is also desirable for those who give to say whether their gift is meant for the benefit of the individual, or for charitable purposes including helping the individual so far as that is charitable; if no such intention is stated, then the donation should be acknowledged with an indication how it will be used if the donor does not dissent. Those who make appeals should bear in mind the possibility that generous response may produce more than is appropriate for the needs of the individual, and should be sure to ask themselves what should be done with any surplus.

2. Thus, if a child suffers from a disease, there are two alternatives, to appeal for the benefit of the child, or to appeal for charitable purposes relating to the suffering of the child, such as may help him and others in the same misfortune, for example by helping find a cure. It may be that the child will not live long, and so may not be able to enjoy generosity to him as an individual; alternatively, he may be intended to receive as much as possible, because he faces a lifetime's suffering. Once again, the pros and cons of setting up a charitable fund or a non-charitable fund should be considered before the appeal is made and the appeal should indicate which alternative is intended; once again, even if a non-charitable appeal is made, it may be thought right to make it on terms that any surplus can be used for charity.

5. GENERALLY.

The suggestions made in this memorandum are only examples of forms which can be used; and before making an appeal it is always wise to seek advice on what form to use. The Charity Commissioners will always be ready as a matter of urgency to advise on the terms of any intended charitable appeal, or to consider whether a proposed appeal is likely to be charitable, and if so to advise on the likely consequences.

In conclusion, the Attorney General would like to emphasise that those organising an appeal should do all they can to make sure that the purpose of the appeal is clear and that donors know how their gifts will be used. This will do much to reduce the risk of confusion and distress. It is considered undesirable to make a general appeal postponing until the size of the fund is known decisions whether the fund ought to be charitable

and whether those affected should take the entire benefit; this can all too easily lead both donors and beneficiaries to form the view that the ultimate result is not what was intended, as well as giving rise to legal problems.

This memorandum is being provided to local authorities' associations, the Law Society and the major banks, amongst other bodies, in the hope that it may become available to all those who may be concerned with making public appeals.

11 MAR 1982



15 February 1982

Disaster Appeals

The Prime Minister has seen the Attorney General's letter of 10 February, and the memorandum he enclosed, designed to assist those organising disaster appeals. She has noted this without comment.

WFSR

Jim Nursaw, Esq.,
Law Officers' Department.

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Prime Minister 2

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01-405 7641 Extn

ROYAL COURTS OF JUSTICE,
LONDON. WC2A 2LL

MS

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
LONDON, S.W.1.

10 February, 1982.

Dear Prime Minister.

DISASTER APPEALS

I enclose a copy of the memorandum I have prepared to assist those organising disaster appeals. It has now gone out for consultation and I hope to be able to circulate it in the very near future.

As you suggested, I am seeking the co-operation of the major banks to ensure the widest possible circulation.

Yours etc.

Michael.

Enc.

ROYAL COURTS OF JUSTICE
LONDON: W.C.2A 5LT



REGISTERED MAIL

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COMMUNICATIONS

LONDON

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Draft MEMORANDUM

1. The setting up of a public appeal following some tragic accident or disaster or an occasion on which some special suffering is brought to the public eye is generally undertaken with little time to prepare the ground.
2. In these circumstances it is not unnatural that questions should arise over the precise status of appeals; and events following the tragedy of the loss of the Penlee Lifeboat show how much unhappiness can be caused by these questions.
3. The Attorney-General is anxious that doubts about the nature of appeals should be avoided if at all possible, and that those who give in answer to an appeal should do so with the fullest knowledge how their donations will be used.
4. Accordingly following consultations . . . the Attorney-General has prepared the following guidelines which might usefully be taken into account by those faced with the responsibility of making appeals in the future.

Guidelines

- (i) If a charitable fund is intended then the appeal



could take the following form:-

"This appeal is to set up a charitable fund to relieve suffering caused by the accident/disaster at _____ on _____ .

The aim is to use the funds to relieve the distress of those who may be in need of help (whether now or in the future) as a result of this tragedy so far as charity law permits. Any surplus will be used for charitable purposes designed:-

- (i) to help those who suffer in similar tragedies
- (ii) to benefit charities with related purposes or
- (iii) to help the locality."

(ii) If a non-charitable fund is intended the appeal could take the following form:-


"This appeal is to set up a fund, the entire benefit of which will be used to help those injured or bereaved in the accident/disaster at _____ on _____ , or their families, as the trustees think fit. This fund will not be a charity."

(iii) It would be possible to combine these by appealing for the personal benefit of the injured and

bereaved and their families but stating that any surplus which remains after the trustees have made such provision as they think proper for those who have suffered will be used for charitable purposes. Again, this type of fund will not itself be a charity, even though any surplus will go to charity.

5. Pros and cons of the types of appeal.

- (i) Charitable funds attract tax reliefs; and donations to them attract tax relief. But charitable funds which are essentially public in their nature cannot be used to give individuals benefits which pay no regard to their needs and suffering; and the operation of a charitable trust will be subject to the ultimate control of the Charity Commissioners.
- (ii) Non-charitable funds attract no tax reliefs nor are donations to them subject to special tax treatment. Their terms must also be prepared with care to ensure that there is no doubt who is to benefit, whether or not their benefit is to be at the discretion of the trustees and what is to happen to a surplus. If specific purposes are laid down, and after they have been fulfilled a surplus remains for which no use has been specified, the surplus



will belong to the donors, which may lead to expensive and wasteful problems of administration. But under a non-charitable trust there is no limit on the amount the trustees can pay to beneficiaries if none has been imposed by the appeal; and only the Court acting on behalf of the beneficiaries and not the Charity Commissioners will have control over the Trust.


6. Other appeals.

- (i) It sometimes happens that publicity given to an individual's suffering moves people to give. In such a case it is particularly desirable for those who give to say whether their gift is meant for the individual's benefit or for the charitable purposes including helping the individual so far as that be charitable, and for those who make appeals to indicate whether or not the appeal is for a charitable fund. They should bear in mind the possibility that a generous response may produce more than is appropriate for the immediate needs of the individual and ask themselves what should be done with any surplus.
- (ii) Thus, if a child suffers from a disease there are two alternatives, to give for the child's

benefit or to give for charitable purposes relating to the child's suffering, which may help him and others in the same misfortune, or may help find a cure. It may be that the child will not live long and so may not be able to enjoy generosity to him as an individual; alternatively, he may be intended to take as much as possible, because he faces a lifetime's suffering. Once again, the pros and cons of setting up a charitable fund or a non-charitable fund should be considered, and appeals made on the basis that they indicate which alternative is intended; and once again, even if a non-charitable fund is intended, it may be thought right to ensure that if there is a surplus it can be used for charity.

7. Generally

The suggestions made in this memorandum are only examples of formulae which can be used and before making an appeal it is always wise to seek professional advice to see whether some alternative may be preferable. In particular, the Charity Commissioners will always be ready as a matter of urgency to advise on whether a proposal is likely to attract charitable status and if so the likely consequences.



In conclusion, the Attorney-General would like to emphasize that those who organize an appeal should do all they can to make sure that the purpose of the appeal is clear and that donors know how their gifts will be used. This will greatly reduce the risk of confusion and distress.

This memorandum is being provided to Local Authorities the Law Society and the major banks, who have undertaken to make it available to all those concerned with making a public appeal.

file

BK



cc: Hunt
HAD
LPO
CWO

Home
Affairs

10 DOWNING STREET

From the Private Secretary

25 January 1982

LADv.D

CO

Penlee Lifeboat Disaster Fund

Thank you for your letter of 21 January to Mike Pattison. The Prime Minister is content for the Home Secretary to answer an arranged Question on Wednesday, 27 January as in the draft attached to your letter.

I am copying this to the recipients of your letter.

W. F. S. RICKETT

John Halliday, Esq.,
Home Office

AK



HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

21 January 1982

Dear Mike,

Prime Minister

PENLEE LIFEBOAT DISASTER FUND

Content?

Yes

MA 22/1

In your letter of 13 January, you told me that the Prime Minister would be content for the conclusions of the Home Secretary's minute of 12 January to be published by means of an arranged Question.

The Home Secretary proposes to answer a question as in the attached draft on Wednesday, 27 January. It has been cleared with the Law Officers' Department.

I am sending a copy of this letter and enclosure to John Kerr (HM Treasury), Jim Nursaw (Law Officers' Department), David Heyhoe (Lord President's office), Murdo Maclean (Chief Whip's office), Christine Duncan (Lord Advocate's office) and David Wright (Cabinet Office).

Yours ever,

John Halliday

J F HALLIDAY

M A Pattison, Esq.

DRAFT QUESTION:

To ask the Secretary of State for the Home Department, whether he will issue guidance to the organisers of disaster appeals.

DRAFT REPLY

The Government are concerned that the organisers of disaster appeals should be able to obtain sound legal advice at the earliest possible opportunity. To this end my Rt Hon Friend the Attorney General has put in hand the preparation, and publication to the legal profession, banks and other bodies, of two formulae which could be used by those organising appeal funds. Depending on which formula was used the public would be in no doubt as to the charitable or non-charitable status of the fund. So far as the establishment of charitable trusts is concerned, the Charity Commissioners have given guidance in their annual reports to Parliament, most recently in their report for 1980, and are always prepared to give advice to appeals organisers as a matter of urgency. Subsequent difficulties may be avoided if the Commissioners are consulted before firm decisions are taken about the purposes of the appeal.

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Home Affairs.

10 DOWNING STREET

From the Private Secretary

15 January 1982

Penlee Lifeboat Disaster Fund

The Prime Minister was grateful for the Attorney-General's letter of 13 January about the present state of the law relating to such charitable purposes. As the Attorney may know, the Home Secretary has also been considering the need for further guidance on these matters. He already has in preparation arrangements to publicise his conclusions. The Prime Minister would be grateful if the Attorney and the Home Secretary could co-ordinate their operations on this front.

I am sending copies of this letter to John Halliday (Home Office) and David Wright (Cabinet Office).

M. A. PATTISON

Jim Nursaw, Esq.,
Law Officers' Department.

JG



01-405 7641 Extn 3201

Prime Minister

Content, provided that these
conclusions are mirrored with the
action the Home Secretary has in
ROYAL COURTS OF JUSTICE mind?

LONDON, WC2A 2LL

13 January 1982

Yes

[Handwritten signature]

M.P. 14/1

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON S W 1

Dear Prime Minister,

PENLEE LIFEBOAT DISASTER FUND

Before the most satisfactory solution to this matter you asked for my Opinion on the state of the law as it affects the disbursement of money from the Penlee Lifeboat Disaster Fund and also whether the present state of the law is satisfactory. The present state of the law can be summarised as follows:-

- (i) Gifts to relieve distress caused by disasters must have a general public benefit to be charitable but trusts for a limited class of dependants of victims of a disaster have traditionally been accepted as charitable because they are recognisable as poverty trusts;
- (ii) this prima facie rule is excluded in the case of the Penlee Lifeboat Disaster Fund by the terms of the Press Notice ("the total fund will be used directly for the benefit of the dependants and that all money received will be distributed directly to families of the lifeboat crew") so the trust is clearly not charitable and is, therefore, a private trust.
- (iii) We have of course resolved the tax problem in this particular case however the general tax position varies according to whether a disaster fund is charitable or not. If charitable a fund will qualify for exemption from income tax

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ROYAL COURTS OF JUSTICE

LONDON, WC2A 2LL

on the income received by the Trustees, from capital gains tax on gains realised by the Trustees, and from all forms of capital transfer tax while the trust endures. Subject to certain conditions CTT relief will also be available on gifts to the fund. Income received by the beneficiaries of the Fund will be taxable as their income (and as unearned income) in the normal way in exactly the same way as would be the case if capital were transferred to the individuals concerned and produced income in their hands, and CTT will be payable in the normal way on any funds applied by the charity for the benefit of a beneficiary when the interests of that beneficiary comes to an end, whether on death or on an earlier disposal of his interest.

If the trust is not charitable then gifts to the trustees will fall to be counted as transfers of value for the purposes of CTT, liability on the part of the donors, although by far the largest part of the donations will be exempt as being either normal gifts out of income or within the annual exemption for gifts not exceeding £3,000 in the aggregate. No capital gains tax or income tax exemptions will be available to the trustees.

As far as the question of whether the present state of the law is satisfactory is concerned, I do not consider that there should be any immediate reform of charity law. However it is clearly desirable that some guidance be given to people who may set up similar funds in the future. I have in mind two formulae which could be used and which would clearly establish the charitable or non-charitable

/status



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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

status of the fund. I will instruct my Charity Counsel to draft these with a view, after appropriate consultation, to their publication in the appropriate legal and financial journals and also, as you suggested, ask the Banks to circulate them to their branches.

Yours truly,
Michael



cc: Press
H Affairs

DJG

10 DOWNING STREET

From the Private Secretary

13 January 1982

The Prime Minister has seen the Home Secretary's minute of 12 January, about the lessons which might be learned from the aftermath of the Penlee lifeboat disaster.

Subject to any comments from the Chancellor or the Attorney General, she is content with the Home Secretary's conclusions and would be happy for him to arrange to publish them through an arranged Question.

M. A. PATISON

John Halliday, Esq.,
Home Office.

DJG

cc: Press 1/31/11



Prime Minister
Agree Home Secretary's
conclusions?
Content, subject to legal
advice, for Home Sec to
publish his conclusions
through an arranged Question?

MFD
13/11

PRIME MINISTER

Yes no

Following your meeting with the Chancellor of the Exchequer and the Attorney General on 5th January about the Penlee Lifeboat Disaster Funds I have been considering the lessons to be learned for the future.

What the Penlee experience has shown us is that the organisers of disaster appeals ought to consider carefully what type of fund they will set up, what total amount of money they are aiming to collect, and what to do if the total amount collected is more than their target. They ought to seek early advice. The distress was caused in Mousehole primarily because the organisers speculated in public on what would happen to the money before they had received proper advice.

The important thing is therefore for those who launch such appeals to seek and obtain sound legal advice at the earliest possible moment. The Government should do all it can to assist them. I understand that the Attorney General is arranging for advice to be prepared and brought to the notice of solicitors and bank managers about what is involved in setting up a fund for such a purpose and the consequences both of a charitable trust and of a fund which is not charitable in law. The preparation of sound legal advice on these issues will clearly take time. In the meantime I am considering whether to arrange for a Question to be put down for answer when Parliament reassembles next week which would enable me to make it clear that the Government is fully seized of the need for sound legal advice to be available. My Department is consulting the Law Officers' Department and the Charity Commission about this.

The Charity Commissioners are very ready to give immediate advice to the organisers of disaster appeals. If possible they ought to be consulted before a decision is taken on whether or not

to set up a charitable trust. One of the lessons of Penlee is that the earlier they are approached the better. No doubt this point will be covered in the advice which the Attorney is preparing.

Penlee has shown that disaster funds are better not set up as charitable trusts if there is only a small number of known victims. This has, I believe, removed the pressure for an immediate amendment of charity law. If similar circumstances arose again I would expect the organisers of the fund to go for a non-charitable trust. Our considered view two years ago, when we reviewed charity law in the light of reports from the Expenditure Committee and from a Committee under Lord Goodman's Chairmanship, was that we should refrain from legislation in this field. I think we should maintain that position. It would be very difficult to confine legislation to this particular situation. There are many conflicting proposals to amend charity law for various purposes.

There has not been much public support, apart from a question from Arthur Lewis, for the suggestion in The Observer that we should set up a statutory National Disaster Fund. Apart from the need to legislate, this could have the disadvantage of blunting the generous public response to locally initiated appeals.

I am sending copies of this minute to the Chancellor of the Exchequer and the Attorney General.

h.w.

12 January 1982

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H Affairs ds

10 DOWNING STREET

From the Private Secretary

7 January 1982

Thank you for your letter of 6 January about the Penlee Lifeboat Disaster Fund.

The Prime Minister was very pleased that the Chancellor felt able to indemnify the donors to this fund against any liability for CTT. As you know, his decision was announced by your press office, and by ours, last night.

I am copying this to John Halliday (Home Office) and Jim Nursaw (Law Officers' Department).

W. F. S. RICKETT

John Kerr, Esq.,
HM Treasury.

A

Prime Minister



Press Office are making arrangements with the Treasury to announce this evening that the Government will indemnify all donors against any liability for C.T.T. It is clear from

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

6 January 1982

This letter that only very few donations will in fact be liable.

W. Rickett, Esq.,
Private Secretary,
10, Downing Street

WR
6/1/82

MS

Dear Willie,

Thank you for your letter of 5 January about the Prime Minister's meeting last night on the Penlee Lifeboat Disaster Fund.

The meeting agreed that a clear statement of the tax position was required. Following consultations with the Inland Revenue, I can confirm that it would be exceptional for a donation to the Fund to attract CTT liability. The following list of exemptions would apply:-

(a) first, a donor may make gifts of £250 per year per recipient tax free. This exemption applies irrespective of the number of beneficiaries, and the Inland Revenue would for tax purposes treat any single donation as being divided equally between all recipients.

(b) Secondly, there is an exemption for total gifts of £3,000 by the same donor in any one year (although the full £3,000 would of course only apply to a donation to the Fund if the donor had made no other chargeable gifts in the same year). While exemptions (a) and (b) are not cumulative, their joint effect is to exempt the greater of £250 times the number of beneficiaries or £3,000 (less any other gift). You will be aware that the number of beneficiaries of the Penlee Lifeboat Disaster Fund has yet to be determined by the Trustees: the number need not necessarily be no greater than the number of lives lost in the Disaster.

(c) There will also be no charge if the donor made his gift out of income.

(d) Even if a gift were not covered by any of exemptions (a) to (c), there would be no immediate charge unless the individual donor's cumulative total of transfers since the introduction of CTT were to exceed £50,000.

/(e) Donations



(e) Donations made by companies or charities are not liable to CTT: this will presumably exempt many of the largest donations.

I hope that this clarification is useful. What emerges from it very clearly is that only in a very small number of cases - particularly generous donations by individuals who habitually give large sums, out of capital - could contributions to the Fund attract CTT liability. Nevertheless, the Chancellor maintains his view that it would be appropriate for the Government to offer indemnification against such liability. He has instructed officials to work out appropriate arrangements, and he would have no objection to an early announcement.

Copies of this letter go to Jim Nursaw (Attorney General's Office) and John Halliday (Home Office).

Yours ever,
J.O. Kerr

J.O. KERR
Principal Private Secretary



6 JAN 1982



COMMUNICATIONS



10 DOWNING STREET

From the Private Secretary

5 January 1982

The Prime Minister held a meeting this evening at 1730 with the Attorney General and the Chancellor of the Exchequer about the Penlee Lifeboat Disaster Fund.

The Attorney General said that both he and the Charity Commissioners had met the Trustees of the Fund, and had examined the terms of their appeal. The Commissioners and he were both agreed that the Fund was not a charitable trust. He had announced this publicly. All the monies raised by the appeal could therefore be passed to the families affected. The only question was whether the donations would be liable for tax. If the beneficiaries of the appeal invested the monies they received, then clearly the income from this investment would be subject to income tax. More importantly, however, there was the question of the liability of the donors, and the trustees, for capital transfer tax. The Attorney General's initial view was that this was not likely to be a problem. The Trustees had confirmed that most of the £2 million that had been raised had come in the form of small donations below £100 in value. Only £200,000 had come in donations of more than £3,000 each. Since the donors would not incur any CTT liability on gifts of less than £3,000, it was likely that the total liability for CTT would be very small, and probably not more than £60-70,000. The Attorney General proposed that the Government should make a statement that it was willing to indemnify all the donors against any liability for CTT. The Government would be criticised for being mean and niggardly if it did not do so.

The Chancellor of the Exchequer said that he would consider the Attorney General's proposal urgently, and would let the Prime Minister know his decision within 24 hours. The Inland Revenue and the Treasury Solicitor's Department would need to determine the tax position in more detail before a decision could be taken. At first sight, however, it looked as though the CTT liability might be even less than the Attorney General had estimated. Not only was there an annual exemption from CTT for gifts up to a value of £3,000, there was also a small gifts exemption for gifts up to £250 per donee. Since there were eight families involved in the disaster, each donor could give eight times £250, or £2,000, which would fall under the small gifts exemption. It therefore seemed likely that individual gifts of less than £5,000 would be exempt from CTT. The Chancellor of the Exchequer agreed that a clear statement of the tax position was needed, and he was inclined to favour the Attorney General's suggestion that the donors should

/be indemnified against

be indemnified against any CTT liability.

There was also some discussion of the need for long term guidance to those setting up similar funds in future. It was agreed that people setting up funds should have clear advice on how to word their appeals, so that they could be sure from the outset of the status of their fund, and in particular about whether or not it was a charitable trust. The Attorney General suggested that he should issue instructions to solicitors on the forms of words that should be used in appeals. The Prime Minister suggested that the Home Secretary might answer an arranged Parliamentary Question, and give similar advice in his Answer. The Chancellor of the Exchequer suggested that the Home Secretary might also encourage the Charity Commissioners to play a more positive role in the setting up of disaster appeals. He himself would consider whether advice might be given to the public through the banks. The Prime Minister agreed that the Home Secretary should be asked to consider all these possibilities, and to report to her as soon as possible. I should be grateful if John Halliday could put in hand the necessary action.

I am copying this letter to Jim Nursaw (Attorney General's Office) and John Halliday (Home Office).

W. F. S. RICKETT

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



10 DOWNING STREET

From the Principal Private Secretary

4 January 1982

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Home
Affairs

See Jim,

PENLEE LIFEBOAT DISASTER FUND

As I told you on the telephone earlier today, the Prime Minister thinks that it would be helpful if the Attorney General could provide a formal Opinion on the state of the law as it affects the disbursement of money from the Penlee lifeboat disaster fund to the relatives of those who lost their lives. She hopes that the Attorney General will be able to produce his Opinion in the course of this week.

No doubt the Home Secretary will then wish to consider urgently, in the light of the Attorney General's Opinion and the outcome of tomorrow's meeting between the Charity Commissioners and the trustees of the disaster fund, whether any changes in the law are needed.

I am copying this letter not only to John Halliday (Home Office) but also to Michael Collon in case the Lord Chancellor wishes to offer a view on whether the law as it stands today is satisfactory. I am also sending copies to John Kerr (HM Treasury), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office), Christine Duncan (Lord Advocate's Office) and David Wright (Cabinet Office).

Yours sincerely,

Anne Whitmore.

Jim Nursaw Esq.,
Law Officers' Department.

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SUBJECT.

ge. Mastat sek

ops

10 DOWNING STREET

THE PRIME MINISTER

24 December 1981

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 181A/81

Dear Garret,

Thank you so much for your thoughtful message of sympathy in connection with the recent shipwreck off the Cornish coast. It was, as you say, a tragic event, bringing great pain to the bereaved.

I share your admiration for the courage and skill of those who work on behalf of the Royal National Lifeboat Institution, and provide their invaluable services off your coasts and ours.

Yours ever,
M

ops

Dr. Garret FitzGerald, T.D.

File

AS



PENLEE hli

10 DOWNING STREET

From the Private Secretary

24 December 1981

I enclose a message which the Prime Minister has received from Dr. Garret FitzGerald expressing the sympathy of the Irish Government in connection with the recent shipwreck off the Cornish coast. I also enclose a reply signed by the Prime Minister - I should be grateful if you could arrange for its despatch.

Francis Richards, Esq.,
Foreign and Commonwealth Office.

Jur



ds

10 DOWNING STREET

From the Private Secretary

23 December 1981

The Prime Minister has asked me to thank you for your letter of 22 December enclosing a message of sympathy from the Irish Government in respect of the recent shipwreck off the Cornish coast.

The Prime Minister was most grateful to the Taoiseach for this message, to which she will be replying in due course.

A. J. COLES

His Excellency Dr. Eamon Kennedy



10 DOWNING STREET

Prime Minister

Your question below.

- 2. No Irish lives were lost.
- 3. The ship was Irish-registered but built elsewhere. I doubt whether it rates a mention.
- 4. I suggest you sign the message as it is.

A.S.C. 23/12.

10 DOWNING STREET

As it was an Irish
ship (crew?) ought we
not to reply with
some sympathy about his

loss

not

No trial or fault.

0/10

SUBJECT

T 180/81

AMBASÁID NA HÉIREANN, LONDAIN.



IRISH EMBASSY, LONDON.

17 Grosvenor Place

SW1X 7HR

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T.180/81

22 December 1981

My dear Prime Minister.

cc Thatcher set
JFS

I have been asked by the Taoiseach, Dr. Garret FitzGerald TD, to convey the following message to you:

"I wish to express the deep sympathy of the Irish Government to you and to all those bereaved as a result of the tragic shipwreck off the Cornish coast. In particular our sympathy goes to the relatives of the valiant and ill-fated crew of the lifeboat 'Solomon Browne', out of Penlee, Cornwall and also to the Royal National Lifeboat Institution, the great voluntary organisation which provides an unstinting, heroic rescue service to seafarers off the coasts of Britain and Ireland."

Yours very sincerely
Eamon Kennedy

Eamon Kennedy
Ambassador

The Rt. Hon. Mrs Margaret Thatcher MP
Prime Minister
10 Downing St
London SW1

