



bc: Mr. Walters

10 DOWNING STREET

From the Private Secretary

2 March 1982

INTERNATIONAL TAX AVOIDANCE: SUNDAY EXPRESS ARTICLE, 21 FEBRUARY

You sent us, for Parliamentary Questions briefing purposes, a copy of the Inland Revenue note of 22 February on the Kenneth Fleet article in the Sunday Express the weekend before last. The Prime Minister mentioned this to the Chancellor at one of their Budget meetings last week; the Chancellor told the Prime Minister that there was no question of proceeding with these proposals in the Budget this year.

After studying the Revenue's note, the Prime Minister has asked me to record that she is very worried indeed about these proposals. The article seems to her to be substantially justified. The Prime Minister understands that the present package of proposals has generated a good deal of uncertainty and suspicion in the City, to such a degree that it seems to her that it might be best simply to withdraw the package in its entirety, not merely for this year but sine die. She has, in particular, been made aware of considerable concern in relation to the problem of UK resident management of portfolios. The Prime Minister accepts that it may be wise to proceed with some of the items, but thinks this would best be done by instituting fresh consultations.

M.C. SCHOLAR

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