

OPS  
CC MASTER

PRIME MINISTER'S  
PERSONAL MESSAGE

SERIAL No. T.136A/83

CONFIDENTIAL

Subject: Econ Pol. Unity Taxation  
July 83.

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DD WASHINGTON 192000Z

GR 298

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DESKBY 192000Z

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TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER:1528 OF 19 SEPTEMBER

INFO UKREP BRUSSELS (FOR PRIVATE SECRETARY)

UNITARY TAXATION

1. PLEASE NOW PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO THE PRESIDENT AS SOON AS POSSIBLE:

BEGINS:

THERE CONTINUES TO BE INTENSE INTEREST HERE IN UNITARY TAXATION BOTH AMONG BUSINESS LEADERS AND PARLIAMENTARIANS AND THERE HAS BEEN FURTHER CONCERN ABOUT DEVELOPMENTS SINCE I WROTE TO YOU.

AS YOU KNOW, I THINK THAT THE OBJECTIONS TO UNITARY TAXATION ARE VERY WELL FOUNDED. IT WILL CERTAINLY DISCOURAGE OUR BUSINESSMEN FROM INVESTING FURTHER IN THE UNITED STATES. BRITISH INVESTMENT IN THE UNITED STATES HAS INCREASED DRAMATICALLY FOLLOWING OUR DECISION IN 1979 TO ABOLISH EXCHANGE CONTROL RESTRICTIONS. YOUR ADMINISTRATION'S ACCEPTANCE OF UNITARY TAXATION WOULD NOT ONLY CHECK THIS INFLOW, BUT IT WOULD PROVIDE THE LESS DEVELOPED COUNTRIES WITH A TEMPTING PRECEDENT FOR LOADING FURTHER TAX BURDENS ON THE COMPANIES OF OUR TWO COUNTRIES AND ON OTHER OVERSEAS INVESTORS AS WELL. AND THE BUREAUCRACY IMPOSED ON COMPANIES BY THE TAX ADDS TO OVERHEADS FOR NO PRODUCTIVE PURPOSE.

IN SHORT, I BELIEVE THAT THE TAX CONFLICTS WITH THE INTERNATIONAL ECONOMIC SYSTEM WHICH YOU AND I WANT TO STRENGTHEN AND IS POTENTIALLY JUST AS DAMAGING IN THE LONGER RUN TO YOUR COUNTRY AS IT CERTAINLY IS TO MINE.

FOR ALL THESE REASONS I HOPE THAT, DESPITE YOUR REAL POLIT-

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ICAL DIFFICULTIES WHICH I WELL RECOGNISE, YOU CAN OPPOSE UNITARY TAXATION. IT SEEMS TO ME THAT THE IMPORTANT FIRST STEP IS FOR YOUR ADMINISTRATION TO FILE AN AMICUS BRIEF IN THE CONTAINER CORPORATION CASE. I UNDERSTAND THAT THIS MUST BE DONE BY FRIDAY AND I URGE YOU TO TAKE THE NECESSARY STEPS.

I LOOK FORWARD TO SEEING YOU NEXT WEEK.

ENDS

HOWE

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