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MUS 5/4

Prime Minister

MUS 30/3

(2)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 March 1982

Michael Scholar, Esq.,
No.10 Downing Street

Dear Michael,

LOSS OF VAT IN GOLD TRANSACTIONS : TREASURY ORDER

The Prime Minister may wish to be aware that we are laying a Treasury Order on 31 March, which will have the effect of making legal tender gold coins liable to VAT, whereas hitherto they have been exempt.

The existing exemption for gold coins is allowed only under the transitional provisions of the EC Sixth Directive, and would probably need to be withdrawn in any case when those provisions come up for review this year. But our reasons for making the Order now is that in recent months there has been a very rapid growth in fraudulent trading made possible under the existing regime, as a result of which there is an estimated loss of revenue of £120 million a year. Part of this fraud involves melting tax-free gold coins and converting them into taxable gold bullion bars.

The new Order is designed to curtail the irregular production of gold bars, but it is likely to be ill-received by the numismatic trade. Unfortunately, because of the obvious danger of forestalling, we have not been able to notify or consult the trade in advance, but they will be informed as soon as the Order is laid.

Yours ever
Peter

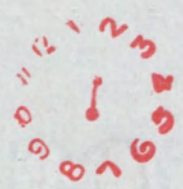
P.S. JENKINS

X I think this decision is totally wrong. How come I was not consulted?
ms

X



30 MAR 1982



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JR

10 DOWNING STREET

From the Private Secretary

2 April 1982

PERSONAL AND CONFIDENTIAL

VAT ON GOLD COINS

Further to my letter to Peter Jenkins of today's date, I am writing at the Prime Minister's instruction to let you know that she considers that she should have been consulted, and not merely informed, of the decision to impose VAT on gold coins. She has commented that, if she had been consulted, she would have been opposed to this change.

The Prime Minister is aware that your letter to me of 29 March arrived here in advance of the announcement, on 31 March: it in fact seems to have arrived here at 2 p.m. on Tuesday 30 March. It was unfortunate that the Prime Minister's absence in Brussels at the European Council prevented us from reacting more rapidly to your letter.

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

PERSONAL AND CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 April, 1982.

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VAT on Gold Coins

Peter Jenkins

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, on 31 March

I would be grateful if you ~~could~~ ^{would} take account of the Prime Minister's views in future decisions on matters of this kind.

*seems to have here
: it in fact arrived at 2pm on Tuesday 30 March.*

: so that, if we had reached quickly here, it would have been possible for the PM to make her views known before in time.

John Kerr, Esq.,
HM Treasury.

PERSONAL AND CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 April 1982

[Handwritten initials]

VAT ON GOLD COINS

Thank you for your letter of 29 March about the decision to impose VAT on gold coins.

The Prime Minister has raised a number of queries about this. She believes that the action is likely to lead to other forms of evasion; and that it will have a damaging effect on the numismatic trade. She is particularly concerned about the imposition of VAT on gold sovereigns.

I would be grateful if you could provide a fuller note on the reasons for the decision, on its reception, and on the future prospect.

M. Q. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

2 April, 1982.

Peter
Dear John,

VAT on Gold Coins

Thank you for your letter of ²⁹30 March about the decision to impose VAT on gold coins.

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I would be grateful if you could provide a fuller note on the reasons for the decision, ~~and~~ on its reception, and the future prospect.

Yours sincerely,

Michael Scholar

Peter Jenkins
John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL