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DEPARTMENT OF TRANSPORT  
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Peter Ricketts Esq  
Private Secretary to  
The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Foreign and Commonwealth Office  
LONDON SW1A 2AH

13 March 1984

*Dear Peter*

PANAMANIAN FREIGHT TAX

Thank you for your letter of 22 February.

I understand that a Ministerial Resolution, exempting UK flag vessels from the tax, has now been issued in Panama and that the exemption has been made with retrospective effect from 24 January.

My Secretary of State was pleased to learn that the Resolution had finally been issued and would not wish to call this agreement with the Panamanians into question by pressing for it to be revised at this stage. Nevertheless, he believes that there is merit in continuing to press the Panamanians, without any threat of acting under S14 of the Merchant Shipping Act 1974, to consider the case for a refund of taxes paid.

Failure to press for such a refund would set a dangerous precedent. The Panamanian freight tax has always been discriminatory, because Panamanian flag vessels have never had to pay it. If we take no action to recover the taxes paid, we accept the principle that UK companies can be subjected to discriminatory taxation for as long as it takes - in this case, over four years - to convince a third country to exempt our ships. The Panamanians have always attempted to present this issue as a routine tax problem, to be solved either by a limited or general double taxation agreement, under which each country agrees to exempt the other country's vessels from taxes on a basis of reciprocity, with no question of refunding past taxes. This is not an appropriate description of the problem as we see it.

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Although he doubts that the Panamanian authorities will be moved to concede such a refund without the threat of S14 action, my Secretary of State agrees with the Foreign Secretary that it is worth seeing what can be achieved by diplomatic means and that this should be raised later as a separate issue.

I am copying this to Andrew Turnbull and to Private Secretaries of other members of E(A).

*Yours sincerely,*

*Henry Derwent*

H C S DERWENT  
Private Secretary

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Panamanian freight tax  
to POT Dec 83





Foreign and Commonwealth Office

London SW1A 2AH

2 April 1984

Dear Derwent,

Panamanian Freight Tax

Thank you for your letter of 13 March.

The Foreign Secretary was pleased to learn that the agreement reached for the Panamanians of the exemption for British vessels from payment of the freight tax is acceptable to Mr Ridley, without being conditional upon the recovery of back taxes and that the threat of action under section 14 of the Merchant Shipping Act is withdrawn. The Foreign Secretary shares Mr Ridley's doubts about the willingness of Panama to concede a refund of taxes, but agrees that an attempt should be made. Clearly, any approach to the Panamanians will need to be handled very carefully if we are to avoid giving them the impression that we wish to re-open the whole question of the freight tax. HM Ambassador Panama is being consulted on how this should be handled. We shall of course ensure that Department of Transport officials are kept informed of the results of approaches made to the Panamanians.

I am copying this to Andrew Turnbull and to Private Secretaries of other members of E(A).

Yours,

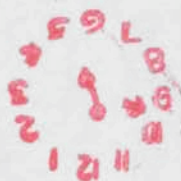
Peter Ricketts

(P F Ricketts)  
Private Secretary

H C S Derwent Esq  
Private Secretary  
Department of Transport

ELSON Pa: Panamanian Freight Tax

Dec 83



22 APR 1984



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

22 March 1984

Henry Derwent Esq  
Private Secretary to the Secretary of State  
for Transport  
Department of Transport  
2 Marsham Street  
LONDON SW1P 3EB

*Dear Henry,*

PANAMANIAN FREIGHT TAX

You sent me a copy of your letter of 13 March to Peter Ricketts about Panamanian freight tax.

The Chancellor is not opposed to a further attempt being made through diplomatic channels to obtain a refund of back taxes, but he is doubtful if anything is likely to come of this, as he understands that Panama has consistently rejected all idea of the refund of back taxes, to any countries affected by its freight tax. He also feels that there would be some risk, albeit a small one, that raising the matter again would cause them to question the whole agreement.

The Chancellor therefore suggests that before deciding anything, we should wait for two or three months to see how the exemption is working in practice. If a suitable opportunity presents itself, our Ambassador in Panama might then ask the authorities there to reconsider the question of refunds, but without any threat of action under the powers in the Merchant Shipping Act.

Copies of this go to Andrew Turnbull at No 10 and to Private Secretaries of other members of E(A).

*Yours sincerely,  
Tudor King*

Miss J C Simpson  
Private Secretary

ECON POL: Panamanian Freight  
Tax: Dec 83.

23 Nov 1984

