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A.F.C. $\frac{29}{5}$

cc: ECON POL
 Unitary Taxation

July 1983

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M Tate Esq ERD
 Foreign and Commonwealth Office
 King Charles Street
 LONDON
 SW1A 2AH

Your reference

Our reference

Date

25 May 1984

Dear Michael

UNITARY TAX - HANDLING AT THE SUMMIT

This is to summarise our working assumption of how unitary tax will be handled at the summit. It follows discussions with a number of copy recipients, culminating in my discussion with you yesterday and a subsequent discussion with Judith Simpson in the Chancellor's office.

- a. unitary taxation is not a subject for plenary session discussion between heads of Government. Nor is it apt for the communique;
- b. it should usefully be raised at the Prime Ministers bilateral with President Regan (I have now seen the letter from Bone to Coles commissioning briefing on this, and I will provide it).
- c. Unitary should be raised both at the Finance Ministers satellite meeting and the Foreign Ministers satellite meeting. This is on the assumption - which the proceedings at the OECD Ministerial seem to have confirmed - that we will get enough support from Finance Ministers and from Foreign Ministers for our line to make it worth raising the issue at these meetings (Japan, France and Canada at least are likely to support us strongly). As far as the Foreign Ministers session is concerned, it would be valuable to focus the State Department on the issue, since they are the most sympathetic part of the Administration as far as we are concerned.

Putting out markers with other governments

The Chancellor will include unitary tax on the list of subjects for discussion he will be circulating to summit Finance Ministers. You in the Foreign Office will make similar arrangements for the Foreign Ministers session. As far as the Prime Minister's bilateral with Secretary Regan is concerned, the options seem to be:-

- a. for the Cabinet Office to inform the White House that the Prime Minister will want to discuss unitary tax at her bilateral with President Reagan; or
- b. for the Prime Minister to reply to President Reagan's 14 May letter about unitary tax, putting up the marker.

The need for the Prime Minister herself to write to President Reagan arises only if there is still felt to be a danger that President Reagan will go public on his reaction to the Report Secretary Regan's Working Group before the summit, thus pre-empting the summit discussions. The Chancellor's Private Secretary will be getting the Chancellor's view on this, in the light of his discussions with Secretary Regan at the OECD Ministerial.

Circulation list attached. Can I leave it to you, Tony Bottrill (Treasury) and to John Healey (DTI) to circulate further within your Departments if you think this necessary.

Very ever

I R Spence

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Circulation list: A J Coles - Prime Minister's Office

R Hatfield)
D H Colvin) - Cabinet Office
Miss J Simpson (PS/Chancellor)
Mr Littler)
Mr Bottrill } Treasury
Mr R I G Allen)

J Healey - DTI

J M Green)
J D Taylor Thompson) Inland Revenue

Harry Walsh - British Embassy, Washington

Summit file

PARAGRAPH FOR INCLUSION IN REPLY TO MR. EDWARD McMILLAN-SCOTT

I can assure you that the Heads of State and Government represented at the Summit are fully aware of the impact of high interest rates, in both real and nominal terms, on the world recovery. They recognise the need to create conditions conducive to lower inflation and lower interest rates. This will involve the pursuit, not just in the United States, but in all Summit countries, of firm monetary policies and strict control of public expenditure and fiscal deficits.

AS