



QUEEN ANNE'S GATE LONDON SW1H 9AT

22 September 1986

Dear David,

REMOVING BARRIERS TO BUSINESS IN EUROPE

Thank you for copying to me your letter of 31 July to Paul Channon about deregulation in the Community.

There is very little business element in this Department's European responsibilities and I can offer no targets of the kind you seek. There is, however, disquiet in racing circles about the effects of the 17th Directive which reduced from 30 to 24 months the VAT exemption on imports and I enclose a Note setting out the problem. I know that Peter Brooke has noted the concern and I hope something can be done in the longer term. I accept that it is probably too early to make changes to the Directive itself.

I am copying this letter to the recipients of yours.

*at final*  
*1. CDP*  
*2. SBN*  
*Conroy,*  
*Doug's,*

The Rt Hon Lord Young of Graffham

## EC VAT REQUIREMENTS: EFFECT ON RACING OF THE 17TH DIRECTIVE

The 17th Directive changes the rules for temporary relief from VAT in respect of racehorses imported from overseas. The Directive applies to horses imported since 1 January 1986. The change in the rules is widely regarded within racing as detrimental to the British bloodstock and racing industries.

Under the old rules, the maximum period of relief was 30 months. This enabled horses to be imported from July as yearlings and remain in this country to run in the major races as two and three year olds without incurring VAT liability. Under the new rules the system of temporary relief is extended from overseas to UK residents but the maximum period is cut to 24 months. Racing fears that this will result in fewer horses being placed with trainers in the UK. Those which are sent may arrive later and not begin their training here, or be exported sooner and not sold here, damaging the auction market and reducing the chances of the horse going to stud here. The fears are increased by the fact that at present no VAT is charged on racehorses imported into the Irish Republic. Racehorses which once would have come to this country may now be placed instead with trainers in the Irish Republic.

Racing would like to see greater flexibility in the VAT rules to fit in, again, with the racing calendar. This means finding some way of extending the relief from liability for up to 30 months. The difficulties have been registered with Treasury Ministers but the prospects do not look good, at least in the short term.

EDRO Pol Budget PT32

