

SUBJECT CC MASTER



10 DOWNING STREET

7 April 1986

From the Private Secretary

STAMP DUTY

The Prime Minister and the Chancellor this afternoon discussed the mounting pressures for a change in the Budget proposals on stamp duty.

The Chancellor said that his present intention was to announce during the course of the second reading debate the withdrawal of the proposal for half a per cent stamp duty on loan stock. The Prime Minister asked whether this could be brought forward, but accepted that it would make sense to make the announcement on second reading.

The Chancellor further explained that the proposal for a five per cent duty on ADRs was designed to protect a yield of £600 million a year from stamp duty on securities. ADRs were in fact a means of avoiding protectionism in the United States: the American regulations required certain US financial institutions only to buy American securities and ADR certificates were classified as American. The Chancellor however recognised the concern about the proposal and the Treasury would be undertaking intensive consultations about it in the coming days. The Chancellor said it was possible that he would decide to reduce the size of the proposed increase. If he decided in favour of making such a change this would also be announced during the second reading of the Finance Bill.

The Chancellor mentioned finally that he would announce proposals to mitigate the effect of the proposal on certain hard cases, where a transaction had been in progress at the time of the Budget.

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