

CONFIDENTIAL



cc BYUP

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

23 April 1986

PRIME MINISTER

A handwritten signature in black ink, appearing to be 'M. J. G.' or similar.

**STAMP DUTY**

You will recall that we discussed, earlier this month, the pressures that had arisen for certain changes in the Budget proposals on stamp duty. The main points were set out in your Private Secretary's letter of 7 April.

Since then we have had consultations with the interested parties, and I am writing now to let you know the conclusions I have reached.

First, I can confirm that I intend to withdraw the proposal for a half per cent duty on registered loan stock. This change will become effective at the earliest practicable date. I hope that, with the sharp fall that has occurred since the Budget in long-term interest rates, this will encourage some new issues of this stock which might otherwise have been made on the Euro-sterling market.

Second, the consultations have suggested that it should be possible to prevent a serious erosion of the £600 million a year yield from stamp duty on registered shares by means of a duty on ADRs (and other depository receipts) considerably lower than the 5 per cent rate proposed in the Budget. What I have in mind is a rate of 1½ per cent, which should, I hope, be enough to deter UK investors from using ADRs as an avoidance device without causing problems for those British firms who seek US investors via the ADR route. But given the uncertainties of the post-big bang world, I will need to make it clear that we stand ready to increase the rate if in the event we find that 1½ per cent does not give

CONFIDENTIAL

adequate protection to the revenue. This change will be retrospective to Budget Day.

Finally, I am still considering, and will implement if it proves technically possible, an exemption from stamp duty post-big bang, for certain very short term transactions by broker-dealers, thus putting them on all fours with the exemption already proposed for market-makers.

As I indicated to you, I intend that John MacGregor should announce all these changes when he moves the Second Reading of the Finance Bill on Tuesday (29 April).

We can discuss further, if you wish, when we meet tomorrow.

*Reedham*

N.L.

*(approved by the Chancellor  
and signed in his absence)*