

MR POTTER

15 June 1990

B.F.
- if e want HHT reply
to my letter.
BHH
15/6

THE BERMUDA PROTECTION AND INDEMNITY ASSOCIATIONS

You wrote to the Inland Revenue on 30 May about the problems raised by the assessment levied on the P&I Clubs and also asking whether the Treasury would give sympathetic consideration to a clause in the Finance Bill which would clarify the situation for the future.

I understand that new clauses for the Finance Bill come forward next Thursday but that the Financial Secretary has indicated that he does not wish to legislate on this point.

So there will continue to be a good deal of uncertainty about the tax status of the Clubs and I understand that the ship owning fraternity see this as a partial re-run of the Green Paper on Residence in the UK. They say that many of them left New York in rather similar circumstances in the 1960s and that a number of individual ship owning businesses - and not just the Clubs - might leave London now. As you will see from the attached note, they are likely to get a warm welcome from the new Greek government.

I know that there has been a good deal of lobbying on their behalf and the Prime Minister may not wish to pursue this point, but those concerned are conscious of the interest which she took in the Green Paper discussion on Residence two years ago.

Howell Harris Hughes

HOWELL HARRIS HUGHES

MEMORANDUM

12th June, 1990

Our Ref: DMC/CH/MT

U.K. Tax Position of Bermuda P & I Clubs

Intelligence gained last week at the 1990 Posidonia Maritime Exhibition in Piraeus.

A number of developments are now taking place in Greek political and maritime circles which are directly relevant to the taxation issue.

The elections in May brought to power in Greece a government formed by the conservative New Democracy party. If we ignore the various coalition governments of 1989, it is the first non-Socialist government in Greece since the Socialists came to power in 1981. Whereas the Socialists' relationships with the Greek maritime community were distant, New Democracy already has close connections with that community and is taking steps to establish effective working links with the shipowners. For sound domestic economic reasons the government's aim is to bring back under the Greek flag that predominant part of the Greek beneficially owned fleet which is presently registered offshore. To do this the government is, we understand, prepared to offer substantial incentives, the details of which were being discussed informally over last weekend between the Minister of Finance and certain prominent shipping figures. Furthermore, the Prime Minister, Mr. Mitsotakis, has retained for himself the portfolio of the Merchant Marine Ministry, so great is the importance that he attaches to it. This is an unprecedented step and its significance has been widely recognised in the maritime community.

These positive moves by the Greek government are already being compared unfavourably with the position here in the U.K. where the government is perceived by the foreign shipowners as, at best, uninterested in and, at worst, as hostile to them. The present uncertainties regarding the tax position of the U.K. P & I Clubs are widely known in Greece and a number of shipowners with a London presence are currently receiving strong advice from their English lawyers and accountants either to diminish the scale of their London operations or withdraw from the U.K. completely. The Inland Revenue's attempt to widen its tax net by advancing arguments of the type pressed against the Bermuda P & I Clubs is engendering in foreign maritime interests a lack of confidence in the U.K. at least as great as that triggered by the Inland Revenue consultative paper on domicile of July 1988.

D.L. Martin-Clark
Chairman,
Thomas Miller & Co.

C. Harris
Chairman,
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