

PA.
Prime Minister
Ewan P.D.
(2)



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

21 April 1982

The Chancellor means to
have a word with you
about this when
things return
more to normal.

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

MES 21/4

I shall draft
this. MB

Ad W P Jenkins
MES

Dear Michael,

The short answer to the Prime Minister's anxieties about the imposition of VAT on sovereigns is that to have imposed VAT on legal tender coinage of foreign origin while retaining the exemption for UK sovereigns would have exposed us to the virtual certainty of legal proceedings by the EC, in which we would not have had a leg to stand on.

But it is also perhaps worth pointing out that non-gold legal tender UK coins such as the Crown, when traded as collectors' pieces, have borne VAT for years. If such coins were to be used as current coin in normal financial transactions, they would be exempt - as would gold sovereigns in future when used for that purpose. But the tax now applies when gold coins are supplied as collectors' items or investment articles. So, far from breaking new ground, the imposition of a tax on sovereigns has in fact brought their treatment into line with that of other legal tender coinage of the realm.

Yours ever,
Peter

P.S. JENKINS
Private Secretary

21 APR 1962



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COMPTROLLER

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