

(F)

NB Although the letter of 24 November was withdrawn, this has clearly not before the Treasury official who drafted this reply had seen it and taken it on board as a pretext for 'X'. *Inch 30/12*

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PRIVATE OFFICE



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000
29 December 1980

Mr Wainwright

- ① Mr Hopkins
- ② X - for information
- B/S/S (6)
- B/S Mr Rossi (WB)
- B/S Mr Shaw (WB)
- B/S Rs (WB)
- B/S Mr Bell
- Mr Maw
- Dr Angley
- Minkley
- Mr Spence
- ③ S/S to see

The Rt. Hon. Humphrey Atkins, MP.,
Secretary of State for Northern Ireland

*1) Mr [unclear]
→ Mr [unclear]*

Mr Davis

WES 5/1/81

Dear Secretary of State,

NORTHERN IRELAND: RECENT COMPANY DIFFICULTIES

Thank you for your letter of 24 November enclosing correspondence which Giles Shaw has received from British Enkalon, Goodyear and Michelin, and for your follow-up letter of 16 December. It is extremely useful to have notice of these matters before my visit next month.

'X'

I hope that the reduction in interest rates which has taken place since you wrote has done something to ease the companies' difficulties. In addition, our proposals on stock relief, which were set out in our consultative document of 14 November, will remove the threat of clawback of substantial amounts of tax from firms in Northern Ireland, as in the rest of the UK, who are having to run down stocks in the present recession. The particular firms in question are also likely to benefit from the changing circumstances for their international competitors. For example, I would expect that the huge hike in US interest rates may well blunt the competitive edge of some of the US firms which British Enkalon say have been damaging the market for their products.

I am afraid, however, that I remain firmly against the idea of a separate lower corporation tax regime for the Province. Quite apart from the political difficulties I mentioned in my letter of 3 November to Keith Joseph, this change would do nothing to help those companies paying no tax, and they will often be the ones in most difficulty. And the many administrative difficulties would be further increased by the complexities of trying to draw a ring fence around one part of the United Kingdom.

However, as I indicated in my letter to Keith, I am quite prepared for officials to study the feasibility and effectiveness of a low-rate Irish-style system for the UK as a whole, as part of the corporation tax review.

I am copying this to Keith Joseph, George Younger, other colleagues of E(EA) Committee and Sir Robert Armstrong.

yours sincerely

Geoffrey Howe

for GEOFFREY HOWE (approved by the Chancellor & signed in his absence)