

M e m o r a n d u m

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From : Gerald H. Goldberg

Subject : Treasury News Release - British Government

I thought you would appreciate knowing that the British government has confirmed it will not take retaliatory action against corporations headquartered in unitary states before December 31, 1988, unless the British government gives notice otherwise. In all likelihood, as a result of SB 85, the threat of retaliation has disappeared, even though the British would still like to see the election fee eliminated and a 10-year contractual commitment reduced in length.


Executive Officer

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TREASURY NEWS

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The Treasury Department announced today that the British Government has confirmed that it will not take action under Section 54 of the U.K. Finance Act 1985 to deny refund of the Advanced Corporation Tax on dividends paid by British corporations to United States corporate shareholders before December 31, 1988, unless the British Government gives notice otherwise. Section 54 authorizes the British Government to deny certain U.S.-U.K. tax treaty benefits to corporations that conduct significant business in states of the United States that impose taxes on a unitary basis. If the British Government does give notice that it will take action under Section 54 with respect to dividends paid before December 31, 1988, such action will not be applied to dividends paid before the date of the announcement.

A copy of a press release issued by the British Government is attached.

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25 March 1987

UNITARY TAX

The Financial Secretary to the Treasury, the Rt Hon Norman Lamont MP reaffirmed today that the Government will not recommend the repeal of the powers to withdraw UK tax credits from US parent companies situated in states which impose worldwide unitary taxation.

He said, however, that the powers would not be applied retrospectively if activated before the end of 1988: if activated thereafter they would not apply to dividends paid on or before 31 December 1988.

In reply to a Parliamentary Question the Financial Secretary said:

"The Government announced on 18 December 1986 that, while it does not intend to recommend the repeal of Section 54 of the Finance Act 1985, it is prepared to defer initiating action under Section 54 for the present in recognition of the progress that has been made towards resolving the unitary tax issue. In the meantime progress towards a final resolution of the unitary tax issues will be kept under careful review. Should it be necessary to take action under Section 54 before 31 December 1988 it will not apply to dividends paid before the date of the announcement of such action. If it is necessary to take action thereafter, it will not apply to dividends paid on or before 31 December 1988".

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