



FCS/85/71

CHANCELLOR OF THE EXCHEQUERAT
NBP
CDP 10/6The Prime Minister's Initiative on Deregulation in the
European Community: Our VAT Threshold

1. Thank you for your letter of 17th May.
2. As you proposed, I raised this matter with Jacques Delors during our talks at Chevening on 24 May, and so did the Prime Minister in separate talks that same afternoon. Delors was fairly sympathetic to the case for a higher limit in the longer term and promised to look at simplification or exoneration in the deregulation context. He was less sympathetic towards our case on the current infraction proceedings, but his officials indicated that these could probably be slowed down.
3. I agree with you that we must pursue this question on every suitable occasion, and I very much welcome your intention to give it an airing at the July ECOFIN Council. We will be better placed to decide how to take things forward when we know the reaction of other Member States.
4. I note from the background brief that you have in mind a new limit of £50,000. Our present limit is £19,500 and the Irish limit, the highest in the Community is £Irish 25,000 (£21,000 approx). Most Member States use other forms of tax incentive than VAT exemption to avoid difficulties for their small traders; and since several member states have very large numbers of small traders it would be hard to secure their support for our proposal if the limit is not too high. You may think it best to go first for agreement to the principle of amending the VAT directive to secure a higher limit before proposing a figure, especially one as high as £50,000.

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5. A copy of this minute goes to the Prime Minister.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
10 June, 1985

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