

Jonathan Symonds
Chief Financial Officer

The Rt Hon Gordon Brown MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

8 July 2002

Dear Sir

US TREASURY REPORT ON CORPORATE INVERSIONS

I am writing to express deep concern regarding the tax policy considerations set out in the US Treasury study on Corporate Inversion transactions.

The thrust of the report is clearly protection of US owned industry and revenue raising at the expense of foreign owned investment no matter whether structured as an investment from a UK PLC or a Bermudan holding company. In terms of the proposals made no distinction between these types of ownership of US business is drawn in the report. At worst, the reference to inversions being the cause for concern is simply a smokescreen for attacking all foreign owned US business to compensate for WTO's successful removal of the US FSC regime.

The report is clearly misguided in making the generalisation that foreign jurisdictions do not operate a similar system to that of the US when considering the taxation of CFC's and repatriation of overseas profits. The UK clearly does and needs to be distinguished from other potential targets.

The key issues facing the US stem from an internationally uncompetitive tax regime based on a high corporate tax rate (including state taxes) and complex rules on Sub Part F (CFC equivalent) and taxation of foreign income. To address this the report's alternative proposals regarding earnings stripping and transfer pricing rules would undoubtedly lead to UK based multinational business being disadvantaged both opposite US owned counterparts and other foreign owned business with less investment at stake in the US.

I should be grateful if you would ensure that Secretary O'Neill is fully briefed to distinguish UK owned investment in the US from so called inversions if indeed the report and the surrounding rhetoric are representative of actual US policy.

Yours faithfully

J R SYMONDS
Chairman 100 Group Fiscal Committee