

T.2034/5/54

SECRETARIES' OFFICE
INLAND REVENUE
SOMERSET HOUSE
LONDON, W.C.2.
21st January, 1957.

A.L.1171/1.

Dear Honeyford,

You wrote to Wainwright on 2nd January (your reference A.L.1171/2) with the encouraging news that the atmosphere in Colombia might soon be more propitious for double taxation agreement negotiations. Accordingly I have prepared a Draft Agreement and an outline of our proposals for transmission to our Embassy and I hope that an early opportunity will be taken to present the Draft to the Colombians. I enclose six copies and there are more available if you want them.

It may help the Embassy if I remind you of the arguments favouring an agreement and, in particular, the argument relating to the movement of capital.

X If the problem of attracting capital is regarded (as we think it should be regarded) not in national terms, but in terms of decisions by a board of directors sitting in the United Kingdom, the advantages of a double taxation need no stressing. The existence of such an agreement with the country in which a corporation may be contemplating large-scale investments at once assures the directors that they will be taxed according to internationally accepted rules and they will not be subject to discrimination. From the contacts we have had with businessmen we believe that these considerations do, in fact, weigh heavily with them in deciding the question whether to invest or not, and the conclusion of a double taxation agreement goes a long way towards establishing a suitable climate for foreign investment. There are other incidental benefits, for example, our standard article relating to business visitors promotes the exchange of "know-how". Again, we can offer the advantages of extending the agreement to a number of Colonial territories. But such matters as these are perhaps best dealt with in preliminary discussions which we are willing to undertake as soon as the Colombians are ready.

There is a further argument in favour of doing all we can to persuade the Colombians to negotiate and it is this: for years we have been unsuccessfully trying to conclude an agreement with a South American country without any success. In general, these countries are capital importing countries and they have always taken the line that so far as the flow of income is concerned the balance of advantage in a double taxation agreement is always on our side. We believe that this is too narrow a view. Any temporary disadvantages their exchequer may suffer are more than compensated for by the impetus that is given to trade and investments. (As you know, the United Kingdom taxpayer gets very little benefit out of it: he will get credit for the tax paid in Colombia against the tax due on the same income in this country whether we have an agreement or not.) This is, therefore, the only area of the world, apart from the countries behind the Iron Curtain in which we have made no progress with double taxation agreements and we look forward to being able to follow this approach with negotiations.X

As usual, the actual negotiations will have to be conducted by officials from the Inland Revenue Department and we should be willing to send a team to Colombia as soon as the Embassy wish, subject of course, to our commitments between April and July on the annual financial legislation. While the Draft is being presented by the Embassy, I will collect the views of the Department concerned.

Yours sincerely,

D. G. Daymond

(D. G. Daymond)

J. A. Honeyford Esq.,

TO BE WRITTEN IN THIS MARGIN.

(AL 1171/1)

CONFIDENTIAL

OUTFILE

FOREIGN OFFICE, S.W.1.
February 12, 1957.

Dear Joint,

Maynard wrote to Honeyford on December 20, 1956, (reference 117-1/56), in connexion with the proposal to sound out the Colombians about the possibility of entering into a double taxation agreement with them.

2. The opinion expressed by Maynard that it would be worth making an approach in the early spring of this year was passed to the Board of Inland Revenue, who have now produced an "Outline of United Kingdom proposals for Double Taxation Convention with Colombia", of which I enclose five copies, together with a memorandum setting forth the general arguments of the Board of Inland Revenue in favour of such an agreement.
3. If you consider that there are prospects of achieving some results I should therefore be glad if, at whatever moment seems the most suitable, you would approach the Colombians proposing an agreement, and at the same time let them have the "Outline of Proposals".
4. If they should prove receptive to the point of wishing to open negotiations, the Board of Inland Revenue would want to send a team to Colombia for this purpose.

Yours ever

Henry Hankey (signed)

(H. A. A. Hankey)

E. J. Joint, Esq., C.M.G., O.B.E.,
Bogotá.