

BY HAND

4

THE WERNHER COLLECTION

LUTON HOO
LUTON
BEDFORDSHIRE LU1 3TQ
TELEPHONE (0582) 22955

20th May, 1980.

The Rt.Hon.Mrs.Margaret Thatcher, M.P.,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

I am taking the liberty of writing to you personally on the future of the Wernher Collection, of which I am part owner and principal custodian, as after prolonged discussions with the Treasury and other Departments we have been unable to get a proper response to the points we have made, and on which decisions are now imminent.

The proposal we have put forward is that to preserve this very important and diverse art collection, whose value can be conservatively estimated as being in excess of £15m, for the benefit of the National Heritage, the present owners would be prepared to divest themselves of their interests into a correctly constituted charitable foundation, which would raise the funds necessary for its future maintenance and development from its own resources by disposing of certain objects of minor importance from the Collection. This solution provides a long-term future for the Collection beyond the lives of the individuals presently involved in its ownership, would require no public funds whatsoever, while certain of the present generation of owners would be prepared to continue shouldering the burden of the responsibility involved in its administration by acting as Trustees of the Charitable Foundation. These three principles I feel correspond closely to the objectives of the present Government.

The problem arises in that a Charitable Body would be liable to pay in taxation the portion of the estate duty carried forward on the items previously exempted from this tax. The consequence of this situation is that the Charitable Foundation would be immediately dispossessed in our particular case of 70% of its maintenance fund and to raise sufficient funds would have to proceed with the disposal of certain works of major importance, which it is being set up expressly to preserve. These objects would then be acquired either by the National Heritage Fund draining its not unlimited resources unnecessarily or, more probably, by foreign purchasers and thus become irrevocably lost to the Nation.

/ cont.

The Rt.Hon. Mrs.Margaret Thatcher, M.P.

20th May, 1980.

- 2 -

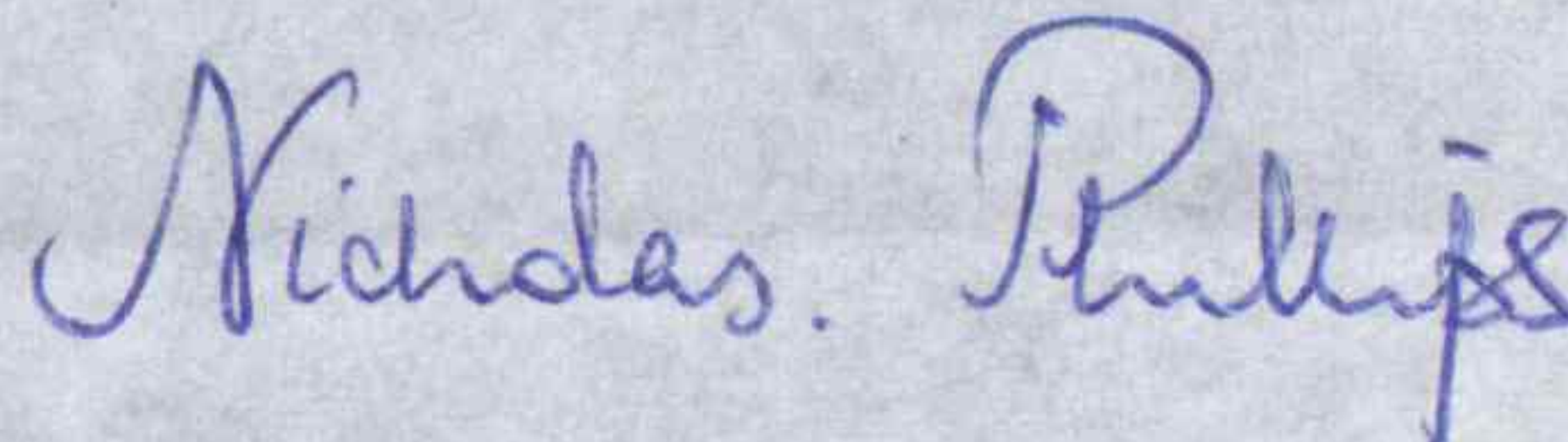
The dual anomaly in the legislation which our particular case has highlighted is that while it has always been politically accepted that Charitable Bodies should not be subject to taxation, over this particular point of taxation there is no relief and that, secondly, Paragraph 12, Schedule 6, of the 1975 Finance Act exempts from this tax specific bodies nearly all of a public or semi-public nature while discriminating against a private Charitable Body set up for the same purpose.

During all our discussions with the administration no one has once been able to give a justifiable reason for the existence of this anomaly and the major impediment it creates in trying to reach what we think is a legitimate and desirable objective. Furthermore, while under the last administration it had been possible to discuss the matter with Lord Lever who had accepted to look at the question sympathetically, all my requests to put the case directly either to Lord Cockfield, under the terms of the capital taxation review, or to Mr.St.John Stevas, as Minister of Arts, have been turned down.

We tabled a simple amendment to the Finance Bill last summer to correct this anomaly which was not called for reasons we well understood as capital taxation was under review, and we would be prepared to do so again in the present Bill if the Government saw fit to support such a move.

In the meantime, on the basis that nothing can be achieved, we are preparing for the disposal of the works of major importance which will become necessary. Knowing the political and public controversy this will inevitably provoke I felt it my duty as the custodian for the present generation of the Wernher Collection to leave no stone unturned in trying to achieve a more sensible solution and in view of the administration's significant lack of response, I can only apologise for troubling you directly with this problem.

Yours sincerely,



Nicholas H. Phillips