

CONFIDENTIAL.

SGA/WHA/5 # 5

D

(Formerly)

D/23/59

D/23/59.

TAXATION -

SOUTH GEORGIA.

CONNECTED FILES.

NUMBER

D/6/47/59 Export Duty on Whale Products

D/1/49 Collection + Refund of Duty on whale oil

HouCS.

The whaling season has begun badly at S.G., and if results are as bad this season as last, there is a very real risk that both Salvesen & Jonsberg will close down. Pesca might well follow suit.

2. I think the time is ripe, therefore, to consider whether Govt. can offer any inducement to the whaling companies to ~~consider~~ encourage them to carry on. We have to remember that the total of Heads 1-6 of Revenue in the Deps. Ests for 1959/60 amount to £110,000 and the total Expenditure under Head 1 = £79,000. The balance of £31,000 is used towards our Antarctic operations, and although pelagic expeditions may benefit to some extent by weather reports from FIDS bases, I do not think that the whaling companies in S.G. derive much help from them - certainly not £31,000 worth.
3. I have used Heads 1-6 only, although a portion of Head 7, and some items in Head 8, are S.G. as distinct from Bases revenue; but the point is that we receive

more than we require to run S.G.
from taxes paid by the whaling
cos. & their staff.

4. I had considered whether we could
abolish export duties on whale and
seal products, but unless the loss
in revenue were offset by a
considerable increase (around £22,000)
in Income & Cos. Tax we would
not receive enough to cover S.G.
expenditure. An alternative might be
to charge export duties on the f.o.b.
value of these products, instead of
on the c.i.f values, (2 of your dev
dipped letter). I do not know
what difference this would make.
Can the H.C.S. help?

- 5. What we really need is
 - (i) Separate S.G. & "Antarctic" estimates.
 - (ii) Revenue from S.G. to cover
S.G. expenditure - the latter
could include a contribution to
"Antarctic" for met - and the
revenue shd. be sufficient to
allow a small sum to be
placed to reserves. Say a
revenue
sum of around £100,000
a year.

6. We can expect a fairly strong

£100,000 probably not
enough.

reaction from H.M. Treasury to any proposals we may put forward which will increase the grant required from H.M.G. for operations in the Antarctic.

But quite apart from the moral aspects of the matter, if the whaling cos. close down, H.M.G. will have to give a grant-in-aid both to the Antarctic & S.G.

7. The measures I have in mind may not be a sufficient inducement to the Cos. to continue operating. But they would at least indicate that Govt. is sympathetic.

8. Action on para 4 of this minute, please.

RA. 13.11.59.

C.I. H.
④2 in D/13/58 with para. 4 of ②. p

14.11.59

N. C. A,

The taxation of the profits of the South Georgia Companies brings in comparatively little revenue as the following figures will show.

1954/55	£700
1955/56	£2275
1956/57	£3063
1957/58	£13,518 - ^{of these 5} the only year in which
1958/59.	nil. The S.G. Co. showed a profit.

The main obstacle in the way of charging on the f.o.b. value of oil exports would be the assessment. The produce is usually carried by vessels owned or chartered by the respective companies and there would be difficulty in assessing the "freight" rate that represents the difference between cif and f.o.b.

Freight on a similar commodity per "A.E.S." to Stanley from UK is £14 per ton, and taking this figure as a reasonable allowance for the South Georgia - UK (or elsewhere in Western Europe) freight rate on oil, I have drawn up the following table to show what export duty was actually paid on the cif value, and what would have been paid had the f.o.b. valuation been applied.

South Georgia Co.	cif	f.o.b.
1951/52	£25,933.	£23,210
1952/53	15,859	£13,743.
1953/54	23,408	£20,133
1954/55	30,525	£26,932
1955/56	27,648	£24,394
	<u>£123,373</u>	<u>£108,412</u>

Sls. Co.:

CIF £123,373

fob 108,412

5) 14,961

Average £2,992

Tousley:

CIF £117,022

fob 101,331

5) 15,691

Average £3,138

Posca:

CIF £109,625

fob 95,788

5) 13,837

Average £2,767

Notes

£2,992

3,138

2,767

£8,897

Tombey Whaling Co.	£	f.50
1951/52	£23,362	£20,797
1952/53	£17,476	£14,146
1953/54	£22,944	£19,665
1954/55	£25,721	£22,694
1955/56	£27,519	£24,029
	<u>£117,022</u>	<u>£101,331</u>

Coa Argentina de Pesca.	£	f.50
1951/52	No exports	
1952/53	£38,824	£33,258
1953/54	£1,344	£1,248
1954/55	£32,595	£28,758
1955/56	£36,862	£32,524
	<u>£109,625</u>	<u>£95,788</u>

4.8. 7. L.G.
4/12/59.

5 v L (submitted p.)

To analyse, the average annual loss of revenue averaging over the past five seasons would be £8,897 - say £9,000 per year.

Q
7.12.59.

8

HCS.

U.S.A. on this file. These numbers have been taken up elsewhere

9BA. 11.11.60

pm

FA.

EXTRACT FROM A.O's REPORT FOR 1959/60.

It will be seen that the value of Meat Extract represents approximately one third of the total of all products. The duty on Meat Extract at present stands at 6d per 100 lbs. so that on this year's production valued at £261,040, duty collected will only amount to £182, 15. 0. Whilst, with the present conditions prevailing in the industry, the Government has granted a reduction in Whale Oil Duty, with the proviso that a revival in prosperity may give grounds for its increase again, that time may well be opportune for the raising of the duty on this valuable by-product, leaving the duty on Whale Oil at its present reduced rate. The current estimated selling price for Meat Extract is £800 per ton.

An important point for consideration in this matter is the ability of this commodity to maintain its present high selling price. As a by-product, quantity will depend to a certain extent on maximum efficiency of extraction, which has already reached a high level. World supply will largely control the market price, bearing in mind the number of whaling expeditions, both Pelagic and Land Stations, which produce the Extract.

The total for this season is 1,696 tons, made up as follows:-

Southern Harvester	350 tons
Southern Venturer	202
Sir James Clark Ross	133
Thorshvet	186
Thorshovdi	141
Norhval	56
Balaena	302
South Georgia Co.	326

1,696 tons

The above figures refer to expeditions operating in this area. There are, of course, land stations and Pelagic fleets operating elsewhere whose production figures are not known here. At the present market price of £800 per ton the value of the total output is £1,356,800.

Next year should see Pesca operating a Meat Extract Plant. Most of the machinery is now in place and in working order.

EXTRACT FROM NOTE ON f. 11 IN D/7/59.

3. Page 7 (as above). Proposed increase of tax on meat extract anything about imposition of this tax?

2. 10

H.C.J.
I believe there was some correspondence in D/23/59 but unfortunately ^{the file} has not been seen since last December.

h-z. *3 11.*
Perhaps his work went
your work 2

W.H.
15. 9. 60

17/9/60

~~10~~
12.

H. C. S.

I agree that I can discuss the question of taxation on meat extract when I visit South Georgia. We must keep in mind the present very low rate of taxation when considering the companies' requests that outstanding duty on whale oil should be waived.

23rd September 1960

RA
on

13

H. C. S.

No further action on this file. I gather that meat extract is not quite as profitable as it was, and that there are several hundred tons still unsold in Europe.

19th January 1961

RA m. S.A.

7/23/59
14

ALIED FROM WHALING FILES:

Company's Tax for each Whaling Company is based on the investment in a Shore Station being worth £100,000, multiplied by a figure based on the average cost of whale oil, which gives the annual taxable income.

Multiplying figure:

Price of whale oil	Rate per centum
£101 and above	30
91 to 100	20
81 to 90	15½
71 to 80	11
61 to 70	6½
1 to 60	2

Tonsberg: 1953 Average price of oil £65. 16. 4.

$6\frac{1}{2}\% \times £100,000 = £6,500 \text{ at } 3/6$

Fesca: 1953 Average price of oil £36. 11. 9.

$2\% \times £100,000 = £2,000 \text{ at } 3/6$

Salvesen: 1954 Accounts read:

Expenditure			Income
Wages &c.	£1,620,754		£1,820,866
Hires	210,620	LOSS	10,508
	<u>1,831,374</u>		<u>1,831,374</u>
	=====		=====

HIRES: Salvesen decided to forgo depreciation on Catchers, loaned to Shore Stations by the Pelagic Fleet, and charge a hire fee.

	Charges for Depreciation	Hire fees
7 catchers	£4,838	£114,000 this sum being 22½% cost price of catchers.

Taxation 29 file pl

*for
Dec 6*