

PO-CH/NL/0116

PART A



**CONFIDENTIAL**

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PO -CH /NL/0116



PART A

BUDGET 1988 PRIVATE  
RENTED ACCOMODATION

DD's 25 years NAGS 17/8/95.

PO -CH /NL/0116

PART A

PART A

8-3-88



CONFIDENTIAL

*X please*

FROM: P J CROPPER  
DATE: 9 February 1988

CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Monck  
Mr Instone  
Mr Tyrie  
Mr Call

HOUSING

*PK X, let's do R & S. Mr. ? BS*

I refer to Andrew Tyrie's note of 29 January.

2. Having participated in the recent trawl for tax measures that will revive the private rented sector, I am driven to the view that:

- X*
1. Half-PEPS will not have much impact with a top rate of tax itself down to x%.
  2. A 4% annual writing down allowance would have had some effect, and I do not think it would inevitably have knocked on to all commercial buildings.
  3. Until we tackle MIR and CGT relief on principal private residence we will not get very far with private renting.

3. So it comes back to one's view of the 'proper' balance between ownership and renting. My own view is that the Swiss 65% rental figure is nearer to economic sanity than our own 28%. But that depends on one's view of society.

4. We were quite right to espouse home ownership as a way of getting rid of the local authority rented sector. But equilibrium is more likely to be reached when the private rented sector has re-captured quite a large chunk of the present privately owned sector.

*pp* *Amiable*  
P J CROPPER

1/6 A

PWP

BUDGET CONFIDENTIAL

FROM: A G TYRIE

DATE: 10 FEBRUARY 1988

MR J TAYLOR

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Paymaster General
- PS/Economic Secretary
- Mr Monck
- Mr Instone
- Mr Cropper
- Mr Call

*We can handle this when we see the costs for what I think is a very high and risky.*

HOUSING: PRIVATE RENTED SECTOR

I saw your minute of today giving the Chancellor's comment on half BES: 'Let's do it and see'.

It is a moot point, but I would have thought there was rather less embarrassment in doing a full BES and having to halve it the following year than in moving to a full BES in year 2. If you are forced to double it you are admitting that the original policy was a damp squib. We are in the business of changing attitudes. A flop at the start would be very bad news.

M-may

A G TYRIE

pp





*Handwritten initials*

FROM: J M G TAYLOR  
DATE: 10 February 1988

MR CROPPER

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Mr Monck  
Mr Instone  
Mr Tyrie  
Mr Call

**HOUSING**

The Chancellor has seen your minute of 9 February.

2. He notes your view that half-BES will not have much impact with the top rate of tax itself down to X per cent. He has commented: "Let's do it and see".

*Handwritten signature*

J M G TAYLOR





FROM: FINANCIAL SECRETARY  
DATE: 18 February 1988

CHANCELLOR

- cc Chief Secretary
- Paymaster General
- Economic Secretary
- Sir P Middleton
- Mr Anson
- Mr Byatt
- Mr Scholar
- Mr Culpin
- Miss Sinclair
- Mr Instone
- Mr Cropper
- Mr Tyrie
- Mr Call
- Mr Jenkins
- Mr Painter
- Mr McGivern
- Mr Reed
- PS/IR

*Man Rankin. I give  
with all these recommendations  
with a exception of (ix), where  
I favour the 4-year compromise,  
an I go ahead some ~~of~~  
behaviour I have input to no ~~of~~  
pt (xiii), ~~with~~ NR to ~~do~~ against  
this with 1/2 BOS, because  
of definition programs. ~~for~~ ~~in~~  
fail, ~~think~~ 1/2 BOS  
with 1/2 BOS  
& ~~for~~ 3/4 BOS &  
full BOS.*

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

You asked me to look at the detailed rules proposed in Mr Reed's submission of 12 February. I am making a set of recommendations which are not particularly scientific and are quite reliant on the information provided by DoE officials. Nevertheless, I think that we are unlikely to be able to form a clearer idea on these detailed points before the Budget and I think there is little to be gained from spending more time haggling over them.

- (i) **Unimproved Properties:** I understand Nicholas Ridley strongly favours the inclusion of previously empty property within the BES scheme. I share that view since it must be the objective of the exercise to increase the supply of rented accommodation. There is a slight presentational counter-argument that we would be giving BES relief to 'second rate' landlords renting out unimproved property. But I do not put much weight on that (see (iv) below);



- (ii) **Short-hold Tenancies:** DoE think these should be included. I disagree because I do not think we can justify giving BES relief to landlords offering 6 month lets;
- (iii) **Expensive Properties:** I remain of the view that expensive properties should be excluded and I think that the limit should be couched in terms of capital values, as officials recommend. I am open to persuasion that the actual suggested capital limits are too low for London - but if DoE are content with these figures I can happily accept them. The key point is that we do not want BES relief to go to landlords letting out plush penthouse suites or exclusive Mayfair flats;
- (iv) **Sub-standard Properties:** These should definitely be outside the scheme. I can defend unimproved property but not BES relief for sub-standard accommodation. DoE agree;
- (v) **Housing Benefit:** I think that we should probably give BES relief for tenancies under which the rent would effectively be paid by housing benefit. There would be a double subsidy, but there is nothing so odd about that - some people get mortgage interest relief and housing benefit. More importantly, housing benefit can be claimed by some families with quite large gross incomes, families we would be aiming to bring into the rented sector. I think there is a danger of severely reducing the attractiveness of the BES scheme if a large proportion of the market were excluded from its scope. Nevertheless FP will consult ST (but not DHSS) to see if there is any angle we have not considered;



BUDGET: CONFIDENTIAL

✓ (vi) **Assured Agricultural Occupancies:** These should be outside the scheme;

✓ (vii) **Premiums for Assured Tenancies:** These should be excluded;

✓ (viii) **Disposal of Properties: Within BES Period:** A company should not lose relief if it sells some or all of its properties within the qualifying period provided it continues to act as a landlord for the qualifying period (ie. by using the proceeds to buy other properties). But, on presentational grounds, I think we should not allow a property to give rise to further BES relief if it is sold into another company;

X (ix) **Disposal of Properties: After the BES Period:** The issue here is what should be the length of the qualifying period. I understand that Nicholas Ridley wants a three-year period and that you have suggested that a possible compromise might be a four-year period. My own view is that we should have a five-year period. Nicholas presumably wants to give companies the confidence to invest which would come from knowing that they could get out within the lifetime of this Parliament. The counter argument is surely that this generous relief ought to be used to encourage the provision of longer-term rented accommodation and not to encourage a three year waiting period before the sale of properties into owner occupation. I would prefer to see, if anything, a period of longer than 5 years!

✓ (x) **Duration of Relief:** I favour a time limit of 5 years - this is designed to be a kick start relief.

✓ (xi) **Starting Date:** I favour giving relief from the date of Royal Assent so that companies could start



purchasing, refurbishing or building new properties in readiness for the introduction of the Assured Tenancy Scheme.

✓ (xii) Ceiling: I favour a ceiling of £10 million.

✓ (xiii) Inner Cities: This falls if we go for 'Full BES'.

✓ (xiv) Consultations: I do not think we should talk to the Scottish or Northern Ireland Offices.

✓ (xv) Other Exclusions: I continue to favour excluding lettings to BES investors, tied accommodation, holiday homes, lodgings, hotels, housing associations, and dwellings which qualify for capital allowances.

Do you think we need to let DoE officials know our final conclusions on these details?

*NL*

NORMAN LAMONT





## Inland Revenue

Policy Division  
Somerset HouseFROM: J H REED  
DATE: 12 FEBRUARY 1988*Not formally on agenda.*

1. MR MCGIVERN - approved in draft
2. FINANCIAL SECRETARY

## TAX TREATMENT OF PRIVATE RENTED ACCOMMODATION: BES RELIEF

At the meeting between the Chancellor and the Secretary of State for the Environment it was agreed that discussions between officials should take place about the proposed BES relief for private renting. Discussions have been held and this note takes account of them in making recommendations about the details of the proposed relief. It has been seen in draft by FP and LG2.

Outline of the new relief

2. In your note of 8 January to the Chancellor you put forward some tentative

## cc PPS (2)

Chief Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Sir G Littler  
Mr Anson  
Sir A Wilson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Mr Sedgwick  
Mr Odling-Smee  
Miss Sinclair  
Mr Instone  
Mr Riley  
Miss C Evans  
Mr A Hudson  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins (OPC)  
Mr Unwin (Customs)  
Mr Knox (Customs)

Chairman  
Mr Isaac  
Mr Painter  
Mr McGivern  
Mr Beighton  
Mr Calder  
Mr Cleave  
Mr Deacon  
Mr Reed  
PS/IR



conclusions about the details of the new relief. Essentially it would be a modified form of the BES for companies specialising in residential lets. The relief would, at least normally, be at only half the normal BES rate. You favoured a ceiling on the amount of investment raised by a company which would be eligible for BES relief, although set at a higher level than for other BES companies. You also made various other tentative recommendations. This note reviews all the outstanding issues.

#### QUALIFYING TENANCIES

3. The starting point is the new assured tenancy scheme being introduced in the Housing Bill (and Housing (Scotland) Bill). Subject to any modifications, the rule would be that a new-style assured tenancy would be a qualifying tenancy for the purposes of the new relief but any other tenancy would not be.

#### Unimproved properties

4. Your view was that the new relief should cover assured tenancies of newly-built properties and those which had been substantially refurbished. But you were open-minded about whether assured tenancies of other (previously empty) property should be allowed in. DOE's view is that if these lettings were excluded the new relief would not help much in London, where there was the greatest need to increase the supply of rented property. So they wanted those lettings included. This raises a general question about the purpose of the new relief: is it to improve the quality and quantity of the housing stock (in which case the relief should be restricted to new builds and refurbishments) or (and/or maintain) to increase the supply of rented property (in which cases unimproved properties should also be let in). DOE says the latter.



Shorthold tenancies

5. You were inclined against including shorthold tenancies. The argument against these is that because it is easy for the landlord to regain vacant possession when it suits him, the property may remain let only for as long as is necessary to satisfy the requirements of the new BES relief and may then be sold into owner occupation. DOE accept that, for this reason, shorthold tenancies were arguably inferior on housing policy grounds to other assured tenancies but in their view this consideration is outweighed by the need to increase the supply of rented property. They think that there will be more rented accommodation if shorthold tenancies are included and therefore strongly recommend this.

Expensive properties

6. Properties with high rateable values are outside the assured tenancy scheme in England and Wales (there is no equivalent restriction in Scotland). DOE said that the rateable value limits would exclude about 2.5 per cent of dwellings in England. They, and we, think that there is a case for having more restrictive limits for the new BES relief and also for moving away from rateable values (which will not be around much longer in England and Wales and have already disappeared in Scotland). There are two obvious ways in which a limit could be set:

- i. by reference to the capital value of each property;  
and
- ii. by reference to the rent paid for each property.

Both DOE and our Valuation Office think that the balance of advantage points towards using capital values.

7. This limit could work along the following lines. The limit would apply to the value of the property at the time it was acquired by the company plus the amount of any expenditure on improving the property (or, in the case of new builds, the



cost of building the property). The tenancy would not cease to be a qualifying tenancy if a subsequent increase in house prices took its value over the limit (withdrawing relief in these circumstances would create undesirable uncertainty).

8. The limit could be set at a level which would be likely not to be too restrictive at any point in the life of the new relief (assumed to be about 5 years - see paragraph 19 below). But this would require a high limit at the start. We think it would be better to set a limit initially and take power to amend this by statutory instrument. If you are attracted by a limit of this kind we shall give more thought to precisely what limits there should be for which parts of the country. DOE have suggested the following limits:

London and SE	£90,000
SW and East Anglia	£75,000
Rest of GB	£65,000

Broadly speaking, these limits would allow in 3 bedroom semi-detached houses in almost all parts of the country and detached houses in many parts.

#### Sub-standard properties

9. There is nothing in the assured tenancy scheme to prevent it applying to sub-standard properties. But DOE think it would be better not to encourage lettings of such property by bringing them within the new BES relief. They are considering how best they could be excluded.

#### Letting to students

10. Since writing my paper of 23 December, I have discovered from DOE that the exclusion from the assured tenancy scheme "student lettings" does not apply to ordinary lettings to students (only to those by educational institutions). So there is no need for any special provision in the new BES relief.



Rent paid by housing benefit

*Kricker*

11. DOE see nothing objectionable in BES relief being given to provide tenancies under which the rent would effectively be paid by housing benefit (ie, a possible double subsidy). In my earlier paper I said that the Treasury had suggested that you might like us to discuss this issue further with DHSS. If so, do you want us to do this before the Budget (under normal Budget secrecy conditions)?

Assured agricultural occupancies

12. There are special provisions in the Housing Bill (but not the Scottish bill) treating assured agricultural occupancies as assured tenancies. DOE say that these occupancies are typically at nil or very low rates and so fall outside the protection of the Rent Acts. They, and we, see no good case for bringing them within the scope of the BES relief (apart from those, with higher rents, which would anyway qualify as assured tenancies).

Premiums for assured tenancies

13. Assured tenancies could be let on terms which provide for a fairly low rent and a high premium. This is inconsistent with the policy objective of encouraging job mobility (because people may not be able to find the money to pay the premium) and so we and DOE see a case for excluding from the BES relief all tenancies for which a premium is charged.

DISPOSAL OF PROPERTIES

During BES period

14. To avoid the loss of BES relief, the company will be required to carry on its activities as a landlord for a certain period (paragraphs 16 to 18 consider how long this should be). During this qualifying period under normal BES rules it would be able to buy and sell some or all of its properties without BES relief being lost, provided that it



continues its activities as a landlord. This could mean that individual properties might be in the rented sector for only a short time and then be sold into owner occupation. However, since the company would have to continue to act as a landlord it would in practice have to use the sale proceeds to buy other unlet properties which it would then let (subject to the usual BES rule that a relatively small proportion of the company's funds can be used in a non-qualifying way.

15. DOE see nothing objectionable in this, since the BES money is still being used to provide rented accommodation. Furthermore, they think it would be wrong to require a company to hold on to a dwelling which it could not let.

After end of BES period

16. The situation is different after the end of the qualifying period for which the company has to be a landlord. Apart from any security of tenure of the tenants, there would be nothing to stop all the properties being sold into owner-occupation. And if the rate of return on private renting (without the BES relief) is unacceptably low this would be a likely outcome. There is no obvious way of preventing this: all that can be done is to have a long qualifying period.

17. The normal qualifying period, for BES purposes, during which a company must carry on the qualifying activities is 3 years. There would be no difficulty in extending this to 5 years, which is the period for which the shareholders have to retain their shares if they are not to lose BES relief. In principle a still longer qualifying period would be possible. The disadvantage with this is that the shareholders would find it less easy to realise their investments after 5 years. The most likely purchaser would be a property company but the price paid for the shares would probably be at a substantial discount to the asset values. So the investors might prefer to hold on to their shares until the end of the qualifying period. But whichever alternative they would follow, the prospect of being placed in this position would make it less



likely that people would use the new BES relief. So there is a danger that lengthening the qualifying period in order to increase the supply of rented accommodation in the longer term could reduce the supply in the shorter term.

18. There is another consideration which DOE have put to us. Their Secretary of State is concerned that the political risk might deter people from using the BES relief. He therefore sees a case for a 3 year qualifying period. The argument is that the crucial period is the start of the new relief - if this is a success it is more likely to attract investment in future years. So what matters is how the relief is perceived from, say, the beginning of next year (when the new assured tenancy scheme is likely to come into operation) until the end of March (ie, the period which is still the main BES finance raising season). Three years from the end of March runs to March 1992 and if Parliament goes its full term the next potential investors would think there was time for the company to sell its properties after the end of the 3 year qualifying period but before the next Election. The importance of this consideration is clearly a matter of political judgment but you may feel that the timing is so tight if there is to be a sale before the next Election (which itself depends on Parliament running almost its full term) that this consideration is unlikely to have much influence on potential investors.

#### DURATION OF BES RELIEF

19. You said that you favoured a time limit of 5 years on the duration of the relief. This would mean that shares issued after the limit had expired would not be eligible for relief. The idea behind a time limit is of course that the relief is intended to attract new people into becoming landlords, not to provide a continuing subsidy to the private rented sector.

20. The appropriate length of the time limit is essentially a matter for political judgment. But there is an interaction with the issue of the length of the qualifying period. You were concerned that there should not be two lots of BES relief



for the same property. I have dealt above (paragraph 14) with the case of sales of individual properties (and their replacement by others) during the qualifying period of a BES company. But there is a different question of whether a company which has qualified for the BES relief should be able to sell its properties, after the end of its qualifying period, to another company where investors would also get BES relief.

21. There is an argument that this is not objectionable. The BES relief provides a subsidy to encourage the provision of rented property for a qualifying period and after that the company has a free choice whether to go on renting them or sell them (possibly into owner-occupation). If they were sold to another company whose investors also got BES relief this would help maintain the size of the private rented sector for the length of the qualifying period and so would be consistent with the purpose of BES relief.

22. However, you may feel that this would look odd in the context of a relief designed to attract new people into becoming landlords. If so, you may wish to prevent anything that looks like double BES relief. One possibility would be to prevent particular properties giving rise to multiple relief as a result of successive sales to BES companies. But this would have little practical effect since there would be likely to be other unlet properties on the market for the second BES company to buy.

23. The alternative is to ensure that the time limit for the duration of the BES relief expires before any company's qualifying period could have come to an end. Assuming a 5 year qualifying period the duration of the relief would have therefore to be no more than 5 years.

24. This raises the question of when the relief should come into effect. As I have said, the new assured tenancy scheme is likely to come into operation from the beginning of next



year. It would be possible to bring the new relief into effect at the same time and bring it to an end one day before its fifth anniversary. This would prevent double relief.

25. However, there is a case for bringing the relief into operation earlier. Although the company could not let property immediately it would be able to purchase it and make any necessary refurbishments, or even to start to build new properties. So one possibility would be for the new relief to take effect from, say, the date of Royal Assent to the Finance Bill. On the other hand, the second half of the tax year is normally a slack period for BES issues and so this earlier start might make little difference in practice. The unpredictable element in this is what demand there will be to carry-back BES relief on investments in the first half of 1988-89 and whether this could lead to substantial amounts being raised under the new relief before the end of September.

26. If you were attracted by this option, and you wanted a five year limit on the duration of the new relief, there would of course be a corresponding earlier closing date.

#### CEILING ON BES FINANCE RAISED BY A COMPANY

27. The amount of the ceiling which will apply generally to BES companies has not yet been decided (we have been looking at figures from £0.25 million to £1 million). You said that you favoured a higher ceiling than for other BES companies. If the aim is to encourage public offers the ceiling would have to be at least £1 million and a higher figure would be more effective (Mr Ridley believes that a limit of £1 million would be too low but DOE have not suggested an alternative.) There is also the question of economies of scale in acting as a landlord. DOE have told us that there are advantages in owning hundreds, rather than tens, of dwellings. 100 dwellings at an average cost of £40,000 would cost £4 million (more in London), although some of this could be raised by borrowing. This might suggest a ceiling of £5 million.



28. There is also the question of the issue costs of a public offer. These tend to be lower as a proportion of the amount raised as the latter increases. For example, the costs for raising £1 million are typically getting on for 20 per cent of the amount raised while for raising £5 million they are normally less than 10 per cent. With only half-BES relief the costs of a public offer raising £1 million could therefore absorb virtually all the tax relief but if it raised £5 million at least half the tax relief should remain. This consideration also suggests a ceiling of about £5 million.

29. But such a high figure would raise questions about the purpose of the ceiling. For conventional BES investment, the purpose of a ceiling is to exclude companies which (usually) would have been able to raise the necessary finance without BES. This consideration does not seem relevant to private renting since the assumption is that whatever scale this is on it will not produce a sufficient return to be attractive without BES. So it is arguable that a ceiling would serve no useful purpose. However, without a ceiling it is in principle possible that a company might seek say £25 million or £50 million for a large development, would Ministers find this unwelcome. If so, a limit of, say, £5 million might be reasonable. You might wish to discuss this with Mr Ridley.

#### INNER CITIES

30. The possibility of allowing full BES relief for investment in inner cities was raised at an Overview meeting. We have raised this issue with DOE but Mr Ridley has not yet expressed a view (his officials are inclined to favour it). DOE are also considering what definition of "inner cities" would be appropriate. We shall report back to you when we hear from them.

#### SCOTLAND AND NORTHERN IRELAND

31. An assured tenancy scheme is being introduced in Scotland on similar lines to the one in England and Wales and we assume that you will want the new relief to run in Scotland. We see



no need to talk to the Scottish Office yet but we see a case for letting them know what is proposed after the details have been decided but before the Budget. Do you agree?

32. It has not yet been decided whether to have an assured tenancy scheme in Northern Ireland. Their housing market is different from that in the rest of the UK and it may well be that if it were not for the BES relief the Northern Ireland Office would decide that they did not need an assured tenancy scheme. One possibility would be to accept that the new relief would not run in Northern Ireland unless and until they introduced an assured tenancy scheme (in which case the necessary amendments to the BES relief could be made in a future Finance Bill). Alternatively, it might be possible to extend the relief to Northern Ireland from the start by giving it in respect of tenancies that would be assured tenancies if they were in England or Wales. This might not be straightforward and we would certainly need to discuss this possibility with the Northern Ireland Office. Do you wish us to discuss these possibilities with them before the Budget?

Connections between Investors/Directors and Tenants

33. You recommended that letting to BES investors in the company should be excluded. DOE do not object.

Tied Accommodation/Holiday Homes/Lodgings and Hotels

34. You recommended that all these lettings should be excluded. Tied accommodation will effectively be excluded by the normal BES rule that the BES company cannot be a subsidiary, or under the control, of any other company (so all the BES company could do would be to let to its own employees - which is unlikely to happen on a significant scale). The other lettings will be excluded by the restriction to assured tenancies.



Housing associations

35. You recommended that these should be excluded from the new relief. DOE agree. This may anyway be excluded by the normal BES conditions but if we conclude that there is a risk that some could qualify we propose to draft a specific exclusion.

Interaction with existing assured tenancy scheme

36. Because of the proposed transitional arrangements for phasing out the existing assured tenancy scheme (see Mr Keith's submission of 18 January) it is possible that a BES company providing new style assured tenancies could also qualify for capital allowances. This seems to us and to DOE to be over-generous. We therefore recommend that the legislation should prevent this by denying BES relief.

CONCLUSION

37. There are the following issues to be decided.

- i. Do you agree that assured tenancies of previously unlet property should be allowed in even where this was not newly built or subjected to substantial refurbishment (paragraph 4)?
- ii. Do you agree that shorthold tenancies should be included (paragraph 5)?
- iii. Do you want to exclude assured tenancies of dwellings with a high capital value (paragraph 6)? (If so, we shall come back to you on the question of the precise limits.)
- iv. Do you agree that sub-standard properties should be excluded (paragraph 9)?



BUDGET SECRET: TASK FORCE LIST

- v. Do you want us to consult DHSS before the Budget about whether they see objections to allowing BES relief for a tenancy under which the rent would be paid by housing benefit (paragraph 11)?
- vi. Do you agree that assured agricultural occupancies should be excluded (paragraph 12)?
- vii. Do you agree that tenancies for which a premium is charged should be excluded (paragraph 13)?
- viii. Do you agree that companies should be free to sell particular properties during the qualifying period provided that they continue to act as landlords (paragraphs 14 and 15)?
- ix. Do you want the qualifying period for which a company must act as a landlord to be (paragraphs 17 and 18):
  - a. 3 years;
  - b. 5 years; or
  - c. a longer period?
- x. Do you want the new relief to be available for only 5 years (paragraph 19)?
- xi. Do you want the new relief to commence (paragraphs 24 and 25):
  - a. when the Finance Bill receives Royal Assent;
  - b. when the new assured tenancy scheme comes into operation; or
  - c. some other date?



- xii. Do you want a ceiling for the new relief and if so do you want it to be (paragraphs 27 to 29):
- a. £1 million;
  - b. £5 million; or
  - c. some other amount?
- xiii. We have not yet heard from DOE whether Mr Ridley favours a higher rate of relief companies letting in inner city areas. We shall report back as soon as we hear (paragraph 30).
- xiv. Do you want us to talk to the Scottish Office before the Budget (paragraph 31)?
- xv. Do you want us to talk to the Northern Ireland Office before the Budget (paragraph 32)?
- xvi. Are you still content that the following should be excluded:
- a. lettings to BES investors (paragraph 32);
  - b. tied accommodation, holiday homes, lodgings and hotels (paragraph 33); and
  - c. housing associations (paragraph 34)?
- xvii. Do you agree that BES relief should not be available in respect of dwellings which qualify for capital allowances (paragraph 35)?

KLS

ff J H REED



BUDGET SECRET: TASK FORCE LIST

COPY NO 19<sup>a</sup> OF 19 COPIES

FROM: MISS M HAY  
DATE: 19 FEBRUARY 1988

1. ~~MISS SINCLAIR~~
2. FINANCIAL SECRETARY

cc **PPS**  
Chief Secretary  
Paymaster General  
Economic Secretary  
Sir Peter Middleton  
Sir Terence Burns  
Mr Anson  
Mr Scholar  
Mr Culpin  
Miss Peirson  
Mr McIntyre  
Mr Instone  
Mr Cropper  
Mr Tyrie  
  
Mr McGivern - IR  
PS/IR

**PRIVATE RENTING: HOUSING BENEFIT IMPLICATIONS**

At yesterday's meeting on the details of the proposed BES relief for private renting you asked FP for urgent advice on the housing benefit implications and in particular whether DHSS should be brought into the discussions before the Budget. Your inclination was not to bring them in unless absolutely necessary.

2. We have discussed the issues with ST Division. On the basis of our assessment of the likely impact of the relief, ST agree that there is no need to consult DHSS in advance of the Budget. (They would have been inclined to involve DHSS at an early stage if we had been proposing a more wide ranging measure.)

3. Two concerns were expressed at yesterday's meeting: the double subsidy which could arise if housing benefit recipients were to become tenants of BES landlords; and the potential embarrassment if BES landlords behaved badly towards housing benefit tenants. Also of concern is the potential increase in housing benefit expenditure which could arise if the net effect of BES relief for private renting were to be an increase in rents for current housing benefit recipients. These issues raise the question whether housing benefit recipients should be excluded from the ambit of the BES relief.



4. As something like one in three households of the population receive housing benefit, it would be difficult to stop BES companies from letting to housing benefit recipients. Were we to try to do so, we might well be accused of not being interested in encouraging more rented provision for the poor. And effective policing might, in any case, be difficult.

5. The housing benefit expenditure implications are difficult to predict in the absence of any firm basis for assessing the effect of the scheme in promoting additional investment in housing for rent. To the extent that the scheme added to the supply of rented accommodation, it might help to ease the upward pressure on rents arising from deregulation; this would reduce expenditure on housing benefit below what it would otherwise have been. On the other hand, if the effect of the scheme is to change the pattern of supply (raising average accommodation standards and rents) rather than the total supply, the effect could be to increase housing benefit expenditure.

6. The new housing benefit scheme, which comes into force in April, will pay the full cost of rent increases for those already on benefit. Moreover, substantial rent increases will bring people currently outside the housing benefit system into benefit entitlement. There will be controls designed to limit the payment of benefit in cases where people are living in accommodation which is too large and/or too expensive, operating through the payment of lower central government subsidy to local authorities. But there is nonetheless a good deal of scope in the system for rent increases to be paid by housing benefit. Any increase in housing benefit expenditure as a result of the new relief for private renting could potentially be embarrassing for the Treasury expenditure division in their negotiations with DHSS on the housing benefit programme. But deregulation itself potentially carries a significant housing benefit cost and any additional BES effect is likely to be marginal. In the light of this, ST would not wish to argue for the exclusion of housing benefit recipients from the ambit of the new BES relief on expenditure grounds alone.



7. If housing benefit recipients were to be included in the scheme, then a double subsidy would arise where an individual receiving housing benefit pays a rent to a BES company (whose investors will have benefited from relief on their investment). Such double subsidies already exist in the tax/benefit system, however. For instance, housing benefit may be received by low income families who benefit from tax relief on mortgage interest payments. Moreover the two elements of the subsidy would be targeted towards different aspects of the housing problem. The BES relief is designed to encourage investment in additional rented accommodation. Housing benefit will enable recipients who might otherwise be unable to afford it to take advantage of the new supply of rented accommodation.

8. The presentational problem raised by Mr Tyrie about bad BES company landlords and housing benefit tenants is a valid one but we see no obvious way around it. It would be very difficult to devise restrictions within the BES rules aimed at excluding "bad" landlords. The risk is in any event just a subset of a general risk of deregulation: any landlord found "exploiting" housing benefit recipients following deregulation could cause similar embarrassment. And any BES company which behaved badly as a landlord could similarly bring the scheme into disrepute (even if housing benefit recipients were not involved).

### Conclusion

9. Allowing recipients of housing benefit to become tenants of BES companies does imply a double subsidy, and the new BES relief could have the effect of increasing total expenditure on housing benefit. But any increase in housing benefit is likely to be small in relation to the overall increase following deregulation and any double subsidy (which is analogous to that which can arise in respect of mortgage interest payers) can be justified in the context of the objectives of the new scheme. In any event, in practice it would be very difficult to exclude housing benefit recipients from the benefit of the new relief and to do so would leave us open to the accusations of not



being interested in the lower end of the housing market. Our view is that housing benefit recipients should not be excluded from the ambit of the new BES relief for private renting and that there is no need to put the points to DHSS in advance of the Budget.

A handwritten signature in black ink, appearing to be 'M Hay', written in a cursive style.

MTSS M HAY





FROM: J M G TAYLOR

DATE: 22 February 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins - OPC  
Mr Painter - IR  
Mr McGivern - IR  
Mr Reed - IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor was most grateful for the Financial Secretary's minute of 18 February. He agrees with all the Financial Secretary's recommendations, with the exception of that on the length of the qualifying period. Here, he favours the four year compromise, as he does attach some behavioural importance to giving companies the confidence to invest knowing they could get out within the lifetime of this Parliament.

2. He has also commented that Mr Ridley is against a special relief for inner cities even if we do stick with  $\frac{1}{2}$  BES, because of definitional problems. But in fact, the Chancellor thinks that  $\frac{1}{2}$  BES will be inadequate, and that the choice is between  $\frac{3}{4}$  BES and full BES.

A handwritten signature in dark ink, appearing to be 'J M G Taylor'.

J M G TAYLOR



## BUDGET CONFIDENTIAL

FROM: A G TYRIE

DATE: 23 FEBRUARY 1988

FINANCIAL SECRETARY

cc Chancellor  
 Chief Secretary  
 Paymaster General  
 Economic Secretary  
 Sir P Middleton  
 Mr Anson  
 Mr Byatt  
 Mr Scholar  
 Mr Culpin  
 Ms Sinclair  
 Mr Instone  
 Mr Jenkins  
 Mr Painter  
 Mr McGivern  
 Mr Reed  
 Mr Cropper  
 Mr Call

*Prayers*  
*J. Smith*

## PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES

May I demur from some of your conclusions on the detail, discussed in your minute of 18 February? I sense that either this scheme will fly or it will be a flop. Getting these detailed points right could make the difference.

First of all, are we sure that we need to take all these decisions now? Could we leave some of them over for announcement with publication of the Finance Bill?

On expensive properties I think that the £90,000 limit for London is too low. You can't buy many family dwellings in a decent state for £90,000 in inner London. I suggest something around £150,000.

I am very wary of using any DoE definition of sub-standard properties, although I recognise the potential political embarrassment. Incremental bureaucracy could easily turn this into a major restriction. We need to find a minimum definition which DoE cannot tighten.

By contrast on housing benefit I am very cautious. I have seen Mary Hay's note of 19 February. I realise that nearly a third of the population receive HB and so we would be excluding a



lot of people. But it is in the HB category that the real political problems will come.

I think we should do what we can to avoid 'single parent mother exploited by BES landlord' type cases. Obviously, we cannot exclude people who, having taken out a lease from a BES landlord, subsequently become eligible for HB. But we could, perhaps, prevent BES landlords from starting a lease with HB recipients.

If this doesn't seem attractive might it be worthwhile looking at whether to exclude only those who are on income support? Of the 7 million households in receipt of HB 5 million are on income support. Therefore, typically, people in work with modest incomes would be eligible to take up a BES let. Those wholly dependent on the State for housing support would not.

This might go a long way towards meeting my concern, that the most vulnerable groups in society among HB recipients should not be exposed to abuses by BES landlords. These could be very damaging politically. At the same time, by using the income support test, we would be less vulnerable to the charge that we had excluded HB recipients.

(Incidentally, as you say, the 'double subsidy' point should not be an objection. In principle, I would support a switch from subsidised public sector rented accommodation to subsidised private sector rented accommodation.)

On the **qualifying period** (Financial Secretary's paragraph ix) I side with Mr Ridley. Three years, or at most four years, would be better than five. It is important to remember that new-style assured tenancies give tenants security of tenure; rent reviews will also be subject to adjudication by rent tribunals. BES managers would not be able to oust their tenants to sell property into owner-occupation.

pp *RJ.*  
A G TYRIE





Answers  
That is why  
I have given  
you 4 yrs.

Ch.

IR have said that, since the relief will not start until August 1988, a 4-year period will in any event go beyond the next election.

2. They are also agitating for a decision soon on "3/4 BEB vs. Full BEB": apparently this makes some substantive difference to their instructions to Counsel.

OK. Make  
it full  
BEB.  
23/2





FROM: J M G TAYLOR

DATE: 22 February 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins - OPC  
Mr Painter - IR  
Mr McGivern - IR  
Mr Reed - IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor was most grateful for the Financial Secretary's minute of 18 February. He agrees with all the Financial Secretary's recommendations, with the exception of that on the length of the qualifying period. Here, he favours the four year compromise, as he does attach some behavioural importance to giving companies the confidence to invest knowing they could get out within the lifetime of this Parliament.

2. He has also commented that Mr Ridley is against a special relief for inner cities even if we do stick with  $\frac{1}{2}$  BES, because of definitional problems. But in fact, the Chancellor thinks that  $\frac{1}{2}$  BES will be inadequate, and that the choice is between  $\frac{3}{4}$  BES and full BES.

A handwritten signature in dark ink, appearing to be 'J M G Taylor'.

J M G TAYLOR



## BUDGET CONFIDENTIAL



FROM: P D P BARNES

DATE: 23 February 1988

PS/FINANCIAL SECRETARY

cc PS/Chancellor  
PS/Chief Secretary  
PS/Paymaster General  
Mr Cropper  
Mr Tyrie  
Mr Call

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULE**

The Economic Secretary has seen the Financial Secretary's minute to the Chancellor of 18 February, and Mr Taylor's minute to PS/Financial Secretary of 22 February.

2. The Economic Secretary would support the Financial Secretary's preference for 5 years. He thinks it would be very embarrassing if BES funds did sell out just before a general election. He thinks it is precisely this fear of a Socialist Government that the present Government wants to override.

PB

P D P BARNES  
Private Secretary





FROM: J M G TAYLOR  
DATE: 24 February 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins OPC  
Mr Painter IR  
Mr McGivern IR  
Mr Reid IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor has now confirmed that he wishes to go for full BES (rather than  $\frac{3}{4}$  BES).

2. He has also confirmed that the qualifying period should be 4 years.

A handwritten signature in dark ink, appearing to be 'JMG'.

J M G TAYLOR





Inland Revenue

Policy Division  
Somerset House

FROM: J H REED  
DATE: 3 MARCH 1988

Note at end. JHG  
3/3.

*I am sure we can  
find the limits SW  
for personal  
use by  
Mr. Patten  
with  
reason  
I am  
happy  
to be  
guided  
by  
VMS.*

1. MR McGIVERN
2. FINANCIAL SECRETARY

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

In your minute of 18 February to the Chancellor you recommended that expensive properties should be excluded and that the limit should be couched in terms of capital values. You said you were open to persuasion that the actual suggested capital value limits were too low for London - but if DOE were content with these figures you would happily accept them. This note looks into the question of how many different limits there should be and what should be their amounts. It then considers when precisely the new relief should come to an end.

DOE proposals

2. In my note of 12 February (paragraph 8) we recommended that rather than attempting to set limits which would apply for the whole 5 year life of the new relief, it would be better to set limits initially but take power to amend them by statutory instrument. On this basis DOE officials suggested the following limits:

London and SE	£90,000
SW and East Anglia	£75,000
Rest of GB	£65,000

cc	PPS	Mr Painter
	Chief Secretary	Mr McGivern
	Paymaster General	Mr Beighton
	Economic Secretary	Mr Calder
	Sir P Middleton	Mr Cleave
	Mr Anson	Mr Deacon
	Mr Byatt	Mr German
	Mr Scholar	Mr Garrett (Valuation Office)
	Mr Culpin	
	Miss Sinclair	Mr Eason
	Mr Instone	Mr Reed
	Mr Cropper	Mr Arnold
	Mr Tyrie	PS/IR
	Mr Call	
	Mr Jenkins (OPC)	



3. These figures were derived from the average price of new houses sold with building society mortgages, but without any adjustment being made for the different types of houses involved. The result is that these limits would exclude different types of property in different parts of the country. For example, £65,000 will purchase a four bedroom detached house in nearly all parts of the "Rest of GB" and £75,000 will do so in most parts of "SW and East Anglia" but £90,000 will do so in only a few parts of "London and the South East" (and those are a long way from London). £90,000 will cover the purchase price of a three bedroom semi-detached house in the South East and in most areas of Outer London but will not buy a two bedroom flat in many parts of Inner London.

4. This raises the question of the function of the limits. As you said, it is to exclude plush penthouse suites or exclusive Mayfair flats. But what about a plush penthouse suite in, say, Bradford? Or, perhaps more likely, what about a large detached house there? It would be "expensive" in relation to other properties in the area, and might be situated in an exclusive part of Bradford. But it would be cheap by London standards.

5. There seem to be two reasonable bases for setting limits. One is to apply a single limit for the whole country. The other is to have two or more limits and to relate these to the costs of similar properties in the different areas. The DOE limits fall into this latter category, but there are other possibilities.

#### Areas

6. Before discussing the alternatives, we consider the ways of dividing the country into suitable areas. There is no wholly satisfactory way of doing this because of the variations in prices which occur within fairly small areas (eg counties). DOE's division is quite sensible in that it very broadly reflects the differences in house prices shown by the statistics collected by our Valuation Office. The main snag with it lies in the definition of the areas. Neither we nor



DOE are aware of any suitable existing statutory definition. So it would be necessary to list the counties, or boroughs, which each would comprise. This is not very attractive and would be vulnerable to Finance Bill amendments to transfer particular counties or boroughs from one area to another.

7. To reduce the risk of this, we suggest that the country should be divided into only two areas. One area would include "Greater London" (which does have a clear statutory meaning). If the rest of the country were a separate area this would be a defensible dividing-line. For example, the Housing Bill's exclusion of properties with high rateable values has a higher limit for Greater London (£1,500) than for elsewhere (£750). And a similar approach is adopted in the existing capital allowances legislation on assured tenancies which has a limit of £60,000 on qualifying expenditure in Greater London and £40,000 elsewhere. Both amounts were set in 1982.

8. A dividing-line of this kind could be criticised on the basis that prices are higher in some parts of the South East than they are in some parts of Greater London. So there is in principle a case for including the South East in the same area as Greater London. But there is a considerable spread of prices within the South East and this would accentuate the difficulty of defending any particular definition of "South East". On balance we recommend that the two areas should be "Greater London" and the rest of the country. DOE officials support this.

#### Size of limits

9. DOE proposed a limit of £90,000 for London and the South East. £90,000 will buy a three bedroom semi-detached or terraced house in most parts of Outer London and many parts of Inner London. But in areas like Westminster, Kensington, Chelsea and Camden it will buy little or nothing. To allow the purchase for subsequent letting of, say, a two bedroom flat in such areas a limit of about £125,000 would be necessary while £150,000 should cover the cost of a small house (although of course prices vary considerably even within



each of these areas). However in Outer London £150,000 will in many areas buy a good three or four bedroom detached house.

10. The relativity between prices in Greater London and those elsewhere varies considerably according to the part of the country. As a general rule, the level of prices in the Midlands, North, Wales and Scotland is less than half the level of prices in Outer London. The fraction is about two-thirds for the South West and a bit less in East Anglia. The spread of prices in the South East makes generalisations of limited value, but the overall level of prices is about three-quarters of the level in Outer London. It is a matter of judgment therefore what relativity to take in fixing the limits but the following amounts seem reasonable (based on a fraction of two-thirds).

Greater London	£90,000	£100,000	£125,000	£150,000
Rest of country	£60,000	£ 65,000	£ 85,000	£100,000

11. DOE officials feel that £150,000 is too high and would expect Mr Ridley to share this view. There is something to be said for setting limits of £100,000 and £65,000, with the intention of leaving them unchanged at least until the end of 1988-89. However, limits of £125,000 and £85,000 would be preferable if your aim was to let in broadly comparable properties to those which were within the existing capital allowances legislation on assured tenancies when the limits for that were set in 1982 (see paragraph 7 above).

12. Alternatively there is a case for simply following the precedent of the rateable value limits in the Housing Bill and making the limit for the rest of the country one half of the limit for Greater London.

#### Cessation of new relief

13. Ministers have decided that the new relief should apply to shares issued after Royal Assent and should be available for only five years. Taken literally, this will mean that it will come to an end on the fifth anniversary of Royal Assent



(probably in late July 1993). There is nothing wrong with this but it may seem an odd way of setting the closing date. You may therefore want to choose a different date. The obvious alternatives are 5 April 1993 (the end of the tax year and therefore the main season for BES investment) and 31 December 1993 (when the assured tenancy scheme will have been running for five years if, as seems likely, it commences on 1 January 1989).

14. A cut-off date of 5 April 1993 would mean that the assured tenancy scheme would have been in operation for not *much* more than four years. If the relief were instead to end on 31 December 1993 this would allow an investor who invested soon after the new relief started to realise his investment in late 1993 (after he had held the shares for the minimum five years) and make another investment qualifying for the new relief. But these considerations do not seem to us to rule out either date and we cannot see any reason why the Secretary of State for the Environment should object to whatever you decide.

#### Conclusion

15. i. Do you agree that there should be only two limits ie for Greater London and for the rest of the country?
- ii. What limit do you want for Greater London?
- iii. What limit do you want for the rest of the country?

Whatever limits are set by the Finance Bill it will be possible to change them in future Finance Bills or, if you take powers to do so, by statutory instrument (see paragraph 2 above). Do you wish to take powers to use the statutory instrument route?



16. Do you want to make the closing date for the new relief something other than the fifth anniversary of Royal Assent to the Finance Bill. If so, do you want it to be

- i. 5 April 1993,
- ii. 31 December 1993, or
- iii. some other date (eg 5 April 1994)?

*JHR*

J H REED

Financial Secretary

The arguments do seem to point to having only two limits, one for Greater London and the other for elsewhere.

As to the actual figures, you might feel that £100,000 and £65,000 would not be unreasonable. You could always reconsider if you felt that evidence in representations on the Finance Bill pointed to higher amounts.

*Angewein*  
3/3





FROM: J M G TAYLOR

DATE: 4 March 1988

*pmf*  
...

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins (OPC)  
Mr Painter - IR  
Mr McGivern - IR  
Mr Reed - IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor has seen Mr Reed's submission of 3 March. The Chancellor is most anxious that the limits should be personally blessed by Mr Ridley: within reason he is prepared to be guided by Mr Ridley's views.

*JG*

J M G TAYLOR





FROM: J M G TAYLOR

DATE: 4 March 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
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Mr Instone  
Mr Cropper  
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Mr Jenkins (OPC)  
Mr Painter - IR  
Mr McGivern - IR  
Mr Reed - IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor has seen Mr Reed's submission of 3 March. The Chancellor is most anxious that the limits should be personally blessed by Mr Ridley: within reason he is prepared to be guided by Mr Ridley's views.

A handwritten signature in dark ink, appearing to be 'J M G Taylor'.

J M G TAYLOR





FROM: J J HEYWOOD  
DATE: 7 March 1988

**PS/CHANCELLOR**

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins OPC  
Mr Painter IR  
Mr McGivern IR  
Mr Reed IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Financial Secretary has seen your minute of 4 March and the various options have now been put to Mr Ridley.

2. Mr Ridley favours limits of £125,000 (Greater London) and £85,000 (Rest of country). The Financial Secretary is content with these and prefers a closing date of 31 December 1993.

JEREMY HEYWOOD  
Private Secretary





FROM: J M G TAYLOR

DATE: 7 March 1988

MR RILEY

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Paymaster General
- PS/Economic Secretary
- Sir P Middleton
- Sir T Burns
- Sir G Littler
- Mr Anson
- Sir A Wilson
- Mr Byatt
- Mr Monck
- Mr Scholar
- Mr Culpin
- Mr Odling-Smee
- Mr Sedgwick
- Miss Sinclair
- Mr Bredenkamp
- Mr Courtney
- Miss C Evans
- Mr Hughes
- Mr Munro
- Mr Hudson
- Mr Cropper
- Mr Tyrie
- Mr Call
- Mr Battishill - IR
- Mr Isaac - IR
- Mr Painter - IR
- Mr Lewis - IR
- Mr I Stewart - IR
- Mr Unwin - C&E
- Mr Knox - C&E

**CARS AND HOUSES: BEHAVIOURAL EFFECTS**

The Chancellor was grateful for your minute of 4 March.

J M G TAYLOR



## BUDGET CONFIDENTIAL



FROM: J M G TAYLOR

DATE: 8 March 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Byatt  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Instone  
Mr Cropper  
Mr Tyrie  
Mr Call  
Mr Jenkins OPC  
Mr Painter IR  
Mr McGivern IR  
Mr Reed IR  
PS/IR

**PRIVATE RENTED ACCOMMODATION: DETAILED BES RULES**

The Chancellor has seen your minute of 7 March. He is content with the limits of £125,000 (Greater London) and £85,000 (rest of country), and for the closing date to be 31 December 1993.

A handwritten signature in dark ink, appearing to be 'J M G Taylor'.

J M G TAYLOR