

PO - CH / NL / 0393

PART A

Part A

CONFIDENTIAL

(Circulate under cover and notify REGISTRY of movement)

Begins : 20/2/89.
Ends : 27/2/89.



PO -CH /NL/0393



PART A

Chancellor's (Lawson) Papers:

THE INLAND REVENUE
SURVEY ON NON DOMESTIC
RATES - PARLIAMENTARY
QUESTION FROM JOHN
CUNNINGHAM MP

DD's : 25 Years

Phelan

8/12/95

NL/0393

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PART A

CONFIDENTIAL

*Thanks.
OK.
(This further questions
are sent to Potter - (LMS)
eg on breakdown of (LMS)*

FROM: A P HUDSON
DATE: 20 FEBRUARY 1989

- 1. MR. POTTER
- 2. CHANCELLOR

*RHP
20/2*

CL

*The final take is too
potentially difficult one.
I think, though, that
the advice is right.
OK?*

cc

- Chief Secretary
- Sir P Middleton (PMG)
- Mr Anson
- Mr Monck
- Mr Phillips
- Mr A J C Edwards
- Mr Gieve
- Mrs Chaplin
- Mr Morgan (VO)
- Mr Heggs (IR)
- PS/IR

NON-DOMESTIC RATES: INLAND REVENUE SURVEY: PQ FROM DR JOHN CUNNINGHAM MP

Dr Cunningham has put down a Priority Written PQ, for answer tomorrow (21 February):

To ask the Secretary of State for the Environment, if he will publish in the Official Report figures, based on tables 1-5 of the Non-Domestic Rating: Transition Consultation Paper published on 15 February, showing separately the effects of: (a) the revaluation and (b) the introduction of a unified business rate.

2. As you know, the note on the Inland Revenue survey gave figures showing the effect on rate bills of the reform as a whole, combining both the move to the Uniform Business Rate, and the revaluation. Dr Cunningham is now asking us to split out the two effects. The question may well have been prompted by, for example, the Association of Metropolitan Authorities.

Options

3. There are ^{two}~~three~~ options.
- (a) We could refuse, arguing that the data was not sufficiently robust to be broken down.
- (b) We could give the information, in the way that suited us best, with all the caveats attached.
4. Mr Ridley, not surprisingly, is likely to favour giving Dr Cunningham the information. If you decide against, he may try to persuade you to answer the question yourself, which we would advise resisting.
5. The immediate question is what sort of reply should go down tomorrow. It would take a few days to put the information together. But if we are going to refuse to give the information, it would be best to do so straightaway. It would be awkward - though not a disaster - to give a holding reply, followed a few days later by a refusal to publish.

Assessment

6. It is annoying to have this request so soon after the announcement. But the question is unlikely to go away. The cognoscenti in the AMA and elsewhere will know that the Government must have the relevant information. They could make their own stab at working out the separate effects by region: the effect of the UBR can be estimated by comparing the range given for the UBR (30-35 pence in the pound) with the average current poundage in each region; the overall effect is simply a combination of that and the revaluation. And we cannot make too much of the inadequacies of the data, since this was the information on which Ministers based their decisions about the transitional arrangements. Rather than have persistent requests for information, and unofficial estimates flying around, we think it is on balance best to give the information now, in the form we choose, with all the caveats and uncertainties underlined.

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7. To give you some idea of what might be published, I attach a first shot at some tables (excluding those covering the transitional arrangements, which present particular problems). If you decide to go ahead, we shall give more thought to presenting the information - particularly for the few cases where the revaluation and the UBR produce opposite effects (eg inner London, and offices) - before putting a draft answer to you and Mr Ridley.
8. If you are content, I shall ask DOE to offer Mr Ridley a holding reply.

A handwritten signature in dark ink, appearing to be 'A P HUDSON', with a long horizontal stroke extending to the right.

A P HUDSON

COUNTRY	SUMMARY CHANGE IN RATES BILL	1988-89 PRE-REFORM RATE BILL		NEW 1988-89 RATE BILL WITH REVAL ONLY	MARGINAL 1988- 89 RATE CHANGE ON UBR	1988-89 POST- REFORM RATES BILL
		NUMBER OF PROPERTIES (000)	£M	£M	£M	£M
ENGLAND	GAINERS	626	4,596	3,278	-231	3,046
	NO GAIN/LOSS	109	657	632	20	653
	LOSERS	820	2,949	4,094	408	4,503
WALES	GAINERS	28	154	113	-2	111
	NO GAIN/LOSS	7	56	55		56
	LOSERS	58	120	159	5	164

OVERALL CHANGES IN RATE BILLS

COUNTRY ENGLAND

		1988-89 PRE-REFORM RATE BILL		1988-89 RATE BILL ON REVAL ONLY		1988-89 MARGINAL RATE CHANGE WITH UBR		1988-89 POST REFORM RATES BILL	
		NUMBER OF PROPERTIES	£M	£M	£M	£M	£M		
SUMMARY CHANGE IN RATES BILL	% CHANGE IN RATES BILL								
GAINERS	150% OR MORE	122	947	438	-65	373			
	15% TO 50%	503	3,649	2,839	-165	2,673			
NO GAIN/LOSS	LESS THAN +/- 15%	109	657	632	20	653			
LOSERS	15% TO 50%	421	1,982	2,245	195	2,440			
	50% TO 100%	193	630	1,027	50	1,078			
	100% OR MORE	205	336	822	162	984			

INCREASES AND REDUCTIONS:
 ENGLAND
 DISTRIBUTION OF

006

NU. 001

INLAND REVENUE

PROPERTY TYPE	COUNTRY					
	ENGLAND			WALES		
	CHANGE IN BILL ON REVAL	MARGINAL CHANGE ON UBR	CHANGE IN RATES BILL	CHANGE IN BILL ON REVAL	MARGINAL CHANGE ON UBR	CHANGE IN RATES BILL
	% CHANGE ON PRESENT RATE BILL	% CHANGE ON REVISED BILL	% CHANGE ON PRESENT RATE BILL	% CHANGE ON PRESENT RATE BILL	% CHANGE ON REVISED BILL	% CHANGE ON PRESENT RATE BILL
SHOPS	13	1	14	16	1	18
OFFICES	-6	21	14	1	4	5
WAREHOUSES	-11	-2	-12	-11	2	-9
FACTORIES	-19	-7	-25	-15	-1	-16
OTHER PROPERTIES	7	-1	7	4	2	6

BREAKDOWN BY
PROPERTY TYPE

REGION	1988-89 PRE-	1988-89 POST-		MARGINAL	1988-89 POST-	
	REFORM RATE	REVAL ONLY	CHANGE ON UBR		REFORM RATES	REFORM RATES
	BILL	BILL	BILL	CHANGE ON UBR	BILL	BILL
	£M	£M	£M	£M	£M	£M
NORTHERN	479	+55	534	-110	-55	424
YORKSHIRE & HUMBERSIDE	734	-18	716	-132	-150	584
EAST MIDLANDS	604	-78	526	-51	-129	475
EAST ANGLIA	259	+26	285	15	+41	301
INNER LONDON	1,455	-91	1,364	478*	+387	1,843
OUTER LONDON	727	-45	682	91	+46	774
REST OF SOUTH EAST	1,597	+209	1,806	25	+234	1,832
SOUTH WEST	551	+140	691	-8	+132	683
WEST MIDLANDS	793	-197	596	-2	-199	593
NORTH WEST	998	-198	800	-110	-308	690

(* because half of property in City, Kensington & Westminster, with relatively low rates).

BY REGION
BREAKDOWN



FROM: A C S ALLAN
DATE: 21 February 1989

MR HUDSON

my

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr A J C Edwards
Mr Gieve
Mr Potter
Mrs Chaplin

Mr Morgan (VO) - IR
Mr Heggs - IR
PS/IR

NON-DOMESTIC RATES: INLAND REVENUE SURVEY: PQ FROM DR JOHN
CUNNINGHAM MP

The Chancellor was grateful for your minute of 20 February. He is content for you to proceed as you suggest, and to give the information requested by Dr Cunningham. He thinks, however, that further questions are bound to follow.

ACSA

A C S ALLAN

RESTRICTED

1. MR POTTER

BHP 24/12

2. CHANCELLOR

a
OK?

AB

OK

FROM : A P HUDSON
24 February 1989cc Chief Secretary
Paymaster General
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips o/r
Mr A J C Edwards
Mr Gieve
Mrs Chaplin
Mr Morgan o/r (vo)
Mr Heggs IR
PS/IRNON-DOMESTIC RATES ; INLAND REVENUE SURVEY :
PQ FROM DR JOHN CUNNINGHAM MP

You agreed, subject to seeing a draft, that we should give a substantive reply to Dr Cunningham's PQ asking for the effect of the reform of business rates to be broken down between the effect of the Uniform Business Rate, and the effect of the revaluation (Mr Allan's minute of 21 February).

2. I attach a draft. On reflection, I do not think it is worth giving any particular explanation of those cases where the revaluation and the UBR have opposite effects (eg inner London and offices). We can explain these results if we need to, but there is no point in drawing attention to them.

3. This question is for Mr Ridley to answer. I shall let you know if he has any substantive comments on the draft.

A P HUDSON

A P HUDSON

DRAFT REPLY TO DR CUNNINGHAM

Dr John Cunningham (Copeland): To ask the Secretary of State for the Environment, if he will publish in the Official Report figures, based on tables 1-5 of the Non-Domestic Rating: Transition Consultation Paper published on 15 February, showing separately the effects of: (a) the revaluation and (b) the introduction of a unified business rate.

DRAFT REPLY

The information is set out below. It must be emphasised that it is based on a preliminary sample survey of the effects of the revaluation of non-domestic properties and the introduction of a Uniform Business Rate (UBR). The new valuations supplied for the sample of properties were best estimates, and not actual revaluations. The results therefore need to be interpreted with caution.

2. As in the consultation paper the tables are all in 1988-89 prices. They break down the aggregate figures, to show first the effect of introducing a Uniform Business Rate with no revaluation, and second the effect of the revaluation with the UBR in place. The tables given here exclude the effects of the transitional arrangements for the new system. Table 3, and part of Table 5, of the consultation paper show the effects of the transitional arrangements, which will apply to the total changes in rate bills, and are not defined in a way which enables their effect to be disaggregated between the introduction of the Uniform Business Rate and the revaluation.

3. Columns and rows may not sum due to rounding in these and the original tables.

Table 1A: Amounts of Overall Increases and Reductions in rate bills (excluding effect of transitional arrangements)

	Aggregate reduction (-)/ increase (+) £m	Net change on UBR £m	Net change on revaluation £m
ENGLAND			
Gainers	-1550	-360	-1,190
Little Change (less than +/- 5%)	-4	+41	-45
Losers	+1550	+315	+1,235
WALES			
Gainers	-40	-3	-39
Little Change (less than +/- 5%)	-	-	-
Losers	+40	+3	+40

Table 2A: Distribution of overall change in rate bills
(excluding effect of transitional arrangements)

	Change in rate bill: reduction (-)/ increase (+) £m	Net change on UBR £m	Net change on revaluation £m
ENGLAND			
<u>Reductions</u>			
50% or more	-570	-150	-420
5% to 50%	-980	-210	-760
<u>Little Change</u> (less than +/- 5%)	-4	+41	-45
<u>Increases</u>			
5% to 50%	+460	+200	+260
50% to 100%	+450	+50	+400
100% or more	+650	+70	+580
WALES			
<u>Reductions</u>			
50% or more	-12	-	-11
5% to 50%	-30	-3	-27
<u>Little Change</u> (less than +/- 5%)	-	-	-
<u>Increases</u>			
5% to 50%	+18	+2	+16
50% to 100%	+16	-	+15
100% or more	+8	-	+8

Table 4A: Possible change in rate bills by property type, England and Wales

(excluding effect of transitional arrangements)

Property Type	Overall reduction (-)/ increase (+) in rate bill per cent	Net change on UBR per cent	Net change on revaluation per cent
ENGLAND			
Factories	-25	-8	-18
Warehouses	-12	-4	-8
Shops	+14	-3	+17
Offices	+14	+20	-5
Other properties	+7	-3	+10
WALES			
Factories	-16	-3	-14
Warehouses	-9	+2	-10
Shops	+18	0	+18
Offices	+5	+4	+1
Other properties	+6	+1	+5

Table 5A: Projected changes in rate bills by region, England
(excluding effects of transitional arrangements)

Region	Overall reduction (-)/ increase (+)	Net change on UBR	Net change on revaluation
	fm	fm	fm
North West	-310	-160	-150
West Midlands	-200	-20	-180
East Midlands	-130	-70	-60
Yorkshire and Humberside	-150	-150	0
Northern	-50	-100	+50
East Anglia	+40	+10	+30
South West	+130	-20	+150
Inner London	+390	+460	-70
Outer London	150	+80	-30
Rest of the South East	+230	-10	+250



FROM: A C S ALLAN

DATE: 27 February 1989

A handwritten signature in black ink, appearing to be 'A.C.S. Allan'.

MR HUDSON

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr A J C Edwards
Mr Gieve
Mr Potter
Mrs Chaplin

Mr Morgan - IR (VO)
Mr Heggs - IR
PS/IR

NON-DOMESTIC RATES; INLAND REVENUE SURVEY:
PQ FROM DR JOHN CUNNINGHAM MP

The Chancellor was grateful for your note of 24 February and is content with the draft substantive reply to Dr Cunningham's PQ.

A handwritten signature in black ink, appearing to be 'A.C.S. Allan'.

A C S ALLAN