



*Approved
not*

Prime Minister

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PRIME MINISTER

RATES: NON-DOMESTIC REVALUATION

*but not in 1987
(see Tom King's
letter
at (Mag A))*

*In the light of this, agree
to a non-domestic rate
revaluation?*

MUS 27/7

I have seen your Private Secretary's letter of 25 July commenting on the draft White Paper on rates. I am grateful for your agreement to publication, but would ask you to reconsider your comment on a non-domestic revaluation.

A non-domestic revaluation is urgently needed by industry. It would help those large, old, labour intensive industries, many of them in the Midlands and North, whose property has declined substantially in relative value since the last revaluation in 1973. These industries bear far too high a share of the total rates burden today. A revaluation would of course lead to complaints from the ratepayers on modern factories, offices and shops in prime locations, many of them in the South East, which are at present under valued by reference to 1973 rent levels and would find their share of the rate burden increasing following revaluation. But the longer that we delay a decision, the worse the anomalies and the greater the eventual criticism. Now that we have decided that rates are to stay, we cannot credibly decline to bring the basis of the tax up to date. The CBI and other bodies have already been pressing me hard for a non-domestic revaluation, if the White Paper fails to commit us to one in principle, the omission will be strongly criticised.

In his letter of 26 July, the Chief Secretary accepts that the White Paper should recognise the case for a non-domestic revaluation but asks that we should give no date, in view of the staffing consequences for the Revenue. The extra 700 staff require (shown as 70 in my minute of 22 July owing to a misprint), would in part be offset by changes to valuation and appeal procedures which are also referred to in the White Paper. But I accept that we should omit any date from the White Paper, to give us time to discuss the issue after the summer break.



Although the rental method of assessment will not serve for the domestic sector at a revaluation, there is ample evidence on market rents for business premises, and therefore no need to change the existing basis of valuation. I also have power to ensure that a non-domestic revaluation would not shift any of the present proportional burden of rates from domestic onto non-domestic ratepayers or vice versa.

We can therefore take a decision to have a non-domestic revaluation without prejudice to our consideration of what should happen in the domestic sector. There I fully agree that the issues are politically very difficult. They are also less urgent. Since we have to look again at the method of valuation, we can well justify deferring any decision while we conduct further consultation.

In the Green Paper, published in December 1981, we said that decisions would be announced "shortly" on non-domestic revaluations in Scotland and in England and Wales. The Scottish general revaluation is to be held in 1985. I hope very much that you will agree to an announcement in principle in favour of a non-domestic revaluation in England and Wales in the White Paper. I am afraid that I must ask for a reply by early tomorrow morning to ensure that the White Paper is published on time.

7. I am sending copies of this minute to members of the Cabinet, the Attorney General, the Chief Whip and Sir Robert Armstrong.

PJ

P.P. PJ

27 July 1983

Local Govt : Reform of Review System
Pt 3

27 JUL 1982

