

Prime Minister pa

This seems very sensible. Otherwise the Green Paper could look like a climb down, leading to a two tax system. Agree to write as

PRIME MINISTER

proposed?

12 November 1985

DLW
12/11
RATE REFORM

Yes - Hartley on
ml

It now looks as if E(LF) will decide in favour of the Welsh system, replacing part of the rates by a 'community charge', and letting the remainder 'wither away' as all extra spending is funded out of the new tax.

If you do go down this route, the vital thing is to ensure that the arrangement is presented as:

- 'a phased replacement of rates by community charge'

not as

- 'the addition of a new community charge to rates'.

The Green Paper should be drafted with this emphasis in mind from the start, so that there is no question of it looking like an apology for a permanent two tax system.

We recommend that David Norgrove should write to Kenneth Baker's office making this absolutely clear.

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OLIVER LETWIN