

NBPA at this stage

CONFIDENTIAL

PRIME MINISTER

11 November 1986

UNIFORM BUSINESS RATE

Nicholas Ridley wrote to Viscount Whitelaw on 5 November about the Uniform Business Rate (UBR). He proposed that:

- The poundage should be uniform but there should be a five-year transitional period because businesses in areas with low poundages at present will face sharp increases in their rates bill.
- The poundage should be indexed by the RPI.
- Local authorities should receive the full benefit of 'buoyancy' ie the natural increase in aggregate rateable values.
- Traditional reliefs to charities should be maintained. Reliefs for empty premises should be reviewed.

The UBR is a national tax levied as a percentage ('the poundage') of business rents ('rateable values'). We can see no more justification for varying it from area to area than for varying other national taxes such as VAT or income tax. So we agree that there should be a uniform poundage. Because rents are generally much lower in areas of high unemployment it will be a useful addition to the armoury of regional economic policy measures. A UBR fixed on this basis will involve sharp increases in rates for businesses in some areas and will therefore support the proposals for a transitional period.

We do not agree that local authorities should have the benefit both of an indexed rate poundage and rateable value

CONFIDENTIAL

buoyancy. This would give them the full benefit of rising real income from the UBR. We think that some of the benefit should accrue to businesses and ultimately their customers just as for public expenditure generally the Government aims to reduce the real burden. Norman Tebbit's proposal that the poundage should increase by the RPI -x is a good way of pursuing this aim and should be familiar to informed public opinion as a way of encouraging efficiency. Thought also needs to be given to how to take account of rateable value revaluations which are to be a regular feature of the new system. These will require commensurate reductions in the poundage.

Finally, we support Nicholas Ridley's proposal to maintain the existing reliefs for charities. It will be difficult enough to secure passage of the legislation without encouraging opposition from charities.

We also support the proposal to consult further on the treatment of empty industrial and commercial premises. When responses are considered they need to take into account that rating empty premises can be a useful spur to owners to bring them back into use.

Conclusion

We support all of Mr Ridley's proposals except on indexing the poundage. This should be increased by slightly less than the rate of inflation to split the benefits of rising real income between local authorities and businesses and as a spur to greater efficiency. Further thought needs to be given to how the poundage will be altered to reflect regular revaluations under the new system.

*Peter Stredder.*

PETER STREDDER

- 2 -

CONFIDENTIAL