



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Right Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
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27 November 1987

NBM

Dear Willie,

RATING REFORM BILL: SCOTTISH PROVISIONS

I am writing to inform you and colleagues on E(LF) about the Scottish provisions which, after discussion with Nicholas Ridley, I propose should be included in the Rates Reform Bill when it is published next month.

The Bill must extend to Scotland for a number of reasons. The Abolition of Domestic Rates Etc (Scotland) Act 1987 did not deal with the position of diplomats and overseas servicemen, which it was considered more appropriate to cover in GB-wide legislation. The establishment of the community charge north and south of the border means that there will need to be certain cross-border provisions for the exchange of information and for the treatment of difficult groups such as students. We agreed before the Scottish Bill was introduced last Session that the provisions about the indexation of non-domestic rates to be made in the Rating Reform Bill in due course would have to apply to Scotland. It provides an opportunity to make some moves towards harmonisation of the valuation systems north and south of the Border. Finally, we wish to be able to extend to Scotland any significant changes or concessions built into the system as the Rating Reform Bill goes through Parliament.

It will be necessary to consider with the Business Managers the Parliamentary handling of the Scottish aspects of the Bill. For introduction I propose the inclusion of only the minimum range of provisions necessary to establish that the Bill has sufficient scope to carry the Scottish amendments which I may wish to make at a later stage and which would be incorporated by amendment at Commons Report Stage or possibly in the Lords. In this way I hope that it will be possible to avoid the need for a Scottish Minister to be a member of the Commons Standing Committee. We can consider this matter in more detail at Legislation Committee.

The Annex to this letter sets out the justification for the provisions I propose to include. I hope I may take it that, in the absence of comments before the Bill is considered by Legislation Committee on Wednesday 1 December, I have the formal approval of E(LF) for these provisions.

I am copying this letter to the Prime Minister, members of E(LF) and also, because of the question of Parliamentary handling, to members of Legislation Committee; and to Sir Robert Armstrong.

Yours ever
Mal

MALCOLM RIFKIND

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Diplomats and Visiting Forces

A commitment was given during discussion of the Abolition of Domestic Rates Etc (Scotland) Bill that provision would be made in subsequent primary legislation for the exemption of diplomats and visiting forces from liability to pay the personal community charge. The relevant Scottish provision matches exactly that for England and Wales.

Revaluation: Transitional Provisions

The transitional arrangements envisaged for England and Wales following the 1990 revaluation are intended to provide protection for those whose rates bills go up because of an increase in rateable value substantially above the average and/or because of the introduction of the uniform business rate poundage. There would be criticism if no such protection were available for Scotland, particularly in view of the experience of the 1985 revaluation. Because, however, existing rate poundages are being index-linked in Scotland the only measure of protection which is necessary relates to increases in rateable value. I therefore propose to take power to set by order a multiple of the old rateable value as the upper limit on which rates will be payable following the revaluation. My intention in using this power would be to give protection only in extreme cases, and I propose to take account of its use in the formula for calculating maximum rate poundages in years of revaluation in such a way that it is self-financing.

Collective Community Charge

The provisions for England provide a fee for the landlord of collective community charge premises expressed as a percentage of the charge payable. I propose to follow suit in Scotland, avoiding the need for an otherwise potentially complex process of adjusting the multiplier by reference to which the charge is calculated.

Valuation

As part of the process of adapting valuation law south of the Border a power of prescription is being introduced enabling rules to be made for the valuation of particular classes of property. The immediate application envisaged for this is to prescribe the rates of interest used in certain valuation processes (which can otherwise, as we have seen in Scotland, become the subject of lengthy and expensive litigation) and to deal with the special circumstances of enterprise zones. In the interests of harmonising the systems north and south of the Border I need to be able to make similar rules and therefore propose to take a similar regulation making power.

Property with apportioned values

A technical error has been discovered in section 4 of the 1987 Act, which calls for the simple repeal of a wrong reference to earlier legislation. The effect is to clear up an ambiguity about our policy on leisure caravans.

SCOTTISH OFFICE

25 November 1987

