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THE PRIME MINISTER

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Ian M. Naptherson

Thank you for your letter 14 April about the differences in business rates as between Scotland and England and Wales. I am sorry for the delay in replying. Since you wrote, I know that you have seen Nicholas Ridley who has assured you of the priority which we attach to removing the differences in valuation practice.

Work on this has now been underway for some time. The starting point in the process has been technical discussions between representatives of the Inland Revenue Valuation Office, who are responsible for Valuation in England and Wales, and the Scottish Assessors Association, whose members have this responsibility in Scotland. Regular reports on these discussions and recommendations concerning legislation have been made to the respective Secretaries of State.

These discussions have made significant progress. The major areas of cross border differences have been identified and the underlying causes analysed. It is not surprising that there should be such differences: there are two distinct bodies of statute law, expanded by case law, and these create codes which are binding on Scottish Assessors and the Valuation Office respectively. There are also differences in a number of procedural matters. The differences have been magnified by the more recent revaluations in Scotland.

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Simultaneous revaluations north and south of the border will take place in 1990 and will be a major step in clarifying the position. The harmonisation discussions have concentrated on identifying areas where progress can be made quickly in the 1990 revaluation, but on the understanding that further work will be required subsequently.

Most properties are valued by reference to comparative rental evidence. A major benefit of the discussions has been the agreement to ensure, so far as possible, that the handling and interpretation of the evidence of rents north and south of the border is consistent.

The discussions have also identified certain classes of property where there are at present fundamental differences of practice north and south of the border. There will now be moves to a common approach, within the constraints of statute and case law and, as a result, many of the major gaps which have existed between valuations under the two systems should be substantially closed.

You particularly raised the problem of the Contractors Test valuations which apply to certain specialist properties for which there is no rental market. I accept that here valuation practice has differed fundamentally, particularly in relation to the rate of interest applied to the calculation of rateable values. It is possible that these rates of interest may be brought into line by voluntary agreement. But powers have been taken both in England and Wales and in Scotland for the Government to prescribe a rate of interest on a GB basis, and we are currently considering whether we should do so.

Despite the difficulties which remain, this is an encouraging record of progress, which will reduce the cross border differences which have caused so much concern in recent years. It has always been argued that harmonisation

of valuation practice would take more than one revaluation to accomplish completely. But that should not detract from the substantial progress which we believe is being made already.

Yours sincerely

Augustus H. H. H.

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R. T. S. Macpherson, Esq.