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Prime Minister 2

All consistent with the package you have approved for England and Wales.

Prime Minister

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PLC 6

15/12

UNIFORM BUSINESS RATE AND REVALUATION: TRANSITIONAL ARRANGEMENTS

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I have seen Nicholas Ridley's minute to you of 29 November outlining his proposals for phasing in the joint effects of the revaluation and introduction of a uniform business rate in England in 1990, and the reply from your office.

We do not anticipate that the 1990 revaluation in Scotland will result in changes in rates bills of the magnitude predicted by the Inland Revenue survey for England and Wales but there will be losers and, especially after the experience of 1985, I think it is essential to offer them adequate transitional protection. I intend, therefore, to provide the same protection to Scottish business losing as a result of the revaluation as Nicholas Ridley and Peter Walker propose. The proposed ceilings of 20% and 15% in real terms on annual increases in rates bills should allow us to phase in the effects of the revaluation in Scotland within 4 years.

On the basis of the Inland Revenue survey Nicholas Ridley proposes that in order to meet the cost of these transitional arrangements for losers in 1990, a ceiling of the order of 10% will be required on larger properties which gain in England. The figure for Wales will be around 12%. The assessors in Scotland, who are very much involved with outstanding appeals from the 1985 revaluation and preparation for the introduction of the community charge in April, are less far down the road in gathering information for the 1990 revaluation. It is, therefore, too early for me to take a view on how to meet the costs of the protection for losers in Scotland. The fact that Nicholas Ridley proposes to give only an indication of the likely level of ceiling on gainers at this stage is, therefore, helpful to me.

Nigel Lawson has suggested that detailed forecasts of the effect of revaluation in England and Wales should not be given at this stage. As I have said, I do not yet have similarly detailed information for Scotland, because the Scottish assessors have so far been able to give me only very broad estimates. There would be some embarrassment for me if I could not match the detail produced for England and Wales, and I therefore support Nigel Lawson's proposal that the Inland Revenue information should not be published at this stage.

I am not clear what mechanism Nicholas Ridley proposes for announcing these transitional arrangements but I should be grateful if his officials would liaise with mine to ensure we coordinate the announcements north and south of the Border.

I am copying this letter to members of E(LF), to John Wakeham and David Waddington, and to Sir Robin Butler.

MR

M R

15 December 1988