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Prime Minister²

PRIME MINISTER

No dissent here from the package you agreed. If the ~~publication~~ publication of the ~~inland~~ Revenue forecast is delayed there is something to be said for increasing the sample size as he further suggests.

UNIFORM BUSINESS RATE AND REVALUATION: TRANSITIONAL ARRANGEMENTS

I have seen a copy of Nicholas Ridley's minute to you of 29 November about transitional arrangements for business rates. I have also seen minutes from Nigel Lawson, Peter Walker, and your Private Secretary.

I support Nicholas's proposals, which seem to strike a reasonable balance between the claims of Northern businesses to a fairer rates burden and the need to protect business losers in the South from excessive financial pressures. I am content for Nicholas to make an early announcement of his proposals in outline.

I particularly appreciate the concessions Nicholas has included for small premises, which represent a welcome gesture to the small firms sector and which I believe will enhance the political acceptability of his overall package. Nigel drew attention to potential anomalies in the proposal to allow small premises to receive their gains immediately in full, and put forward an alternative proposal with which you agreed. I believe that there is a case for treating small firms generously and I feel that the political benefits of the original proposal could well outweigh the potential drawbacks. However, I am willing to accept Nigel's alternative proposal, which can also be presented as a concession to small firms.



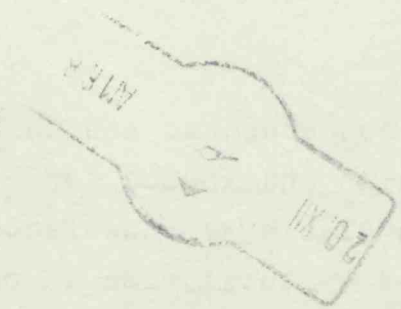
On a point of detail, I was a little concerned to see that the Inland Revenue's forecasts of rate gains and losses for individual regions and property types (Table 3) show factories in Northern region facing an estimated 4% total rise in rates, and shops with living accommodation facing a 21% increase in Yorkshire and Humberside. These findings are strongly against the prevailing trend for reduced rates burdens on businesses in the North and may well provoke representations from the regions affected. Nicholas acknowledges in his minute that some of the figures in this table are unreliable because of the small sample size used. I do not know whether it would be possible to improve the reliability of the figures, with further work, but I think this is one point which might be taken into account when considering publication of the revaluation survey results.

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

NF

15 December 1988

LOCAL GOV '77: Rates P4 11.



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