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the department for Enterprise

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The Rt. Hon. Tony Newton OBE, MP  
Chancellor of the Duchy of Lancaster and  
Minister of Trade and Industry

MBM at this stage.

Recd  
17/12

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Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
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Our ref  
Your ref  
Date

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15 December 1988

Dear Chief Secretary,

**NON DOMESTIC RATING: DECAPITALISATION RATE AND RING-FENCING THE  
YIELD FROM PRIVATE BUSINESS RATES**

Thank you for copying to me your letters of 21 November and 9 December to Nicholas Ridley on the above matters. I have also seen Nicholas' reply dated 29 November and Peter Walker's letter to you dated 8 December.

I have already indicated that I would prefer a decapitalisation rate of 5% for business, but would be willing to accept a rate of no more than 6% to achieve a common figure for England, Wales and Scotland. I am also convinced that 6% is the highest figure that would be tolerable politically, and it would alarm business to no purpose if were to quote the possibility of a higher rate in the consultation document. In my view, we consult on the basis of a single rate of 6%.

Your proposal to "ring fence" the private sector would reinterpret in a most artificial way our well understood position that the yield from non-domestic rates will be unaffected by the introduction of the NNDR, and would be widely seen as a breach of faith by business. It would also raise business rates by 2% compared with what they would otherwise be,

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and with the basis on which estimates of the impact of the UBR have been calculated and announced. I strongly agree with Nicholas that we should not change this basis at this late stage.

I am sending copies of this letter to the Prime Minister, to members of E(LF) and Sir Robin Butler.

Yours sincerely,

Linda Jayce

PP TONY NEWTON

(Approved by the Chancellor  
and signed in his absence.)

LOCAL GOVT Rates pr V

