



SECRET

P 03321

From: R T J Wilson
11 January 1989

MR GRAY

RATING APPEALS

1. You asked for advice on Mr Ridley's minute of 6 January, about appeals against non-domestic rateable valuations.

BACKGROUND


2. The first rating revaluation since 1973 will come into effect on 1 April 1990, at the same time as the national non-domestic rate (NNDR) is introduced in England and Wales. Some businesses will face very substantial changes in their rate bills. Ministers agreed before Christmas on detailed transitional arrangements to phase in the largest changes:

i. increases in rate bills will be limited to 20% per annum in real terms for most businesses;

ii. small businesses will benefit from a lower limit of 15% per annum;

iii. the cost of this protection for losers will be met by limiting real reductions in rate bills for gainers to about 11% per annum, or 16% in the case of small businesses.

3. The "base position" for applying these arrangements will be the rates businesses pay in 1989/90, uprated for inflation. The existing 1973 valuations will therefore continue to affect the rate bill of any business covered by the transitional arrangements, in some cases for a considerable run of years. The Chancellor of the Exchequer and the Secretary of State for the Environment are concerned that this may lead to a substantial surge of appeals against existing 1973 valuations before 1 April 1990, by businesses who hope to put



themselves in a better position during the transition. Given the shortage of professional staff at the Valuation Office of the Inland Revenue, this could prejudice the completion of the revaluation, and impede the handling of appeals against the new valuations.


PROPOSAL

4. Mr Ridley and Mr Lawson have agreed that the best solution is to legislate in this Session's Housing and Local Government Bill to remove the right of business ratepayers to appeal against the existing valuations. This would apply to all appeals received after the decision to legislate was announced. Valuation Officers would still have a duty to keep the list up to date, and could themselves propose changes in response to informal approaches by ratepayers. But the staff-intensive business of responding to proposals from ratepayers at the Valuation and Community Charge Tribunals (VCCTs) would be removed. The Tribunals would be free to hear appeals against the new 1990 valuations.

MAIN ISSUES

5. One key question is whether the anticipated surge of appeals will materialise. There is apparently a growing tendency for private valuers to prompt companies to appeal. The President of the Rating and Valuation Association, himself in private practice, has recently expressed his own concern to DOE about the danger that appeals against the new valuations will be crowded out. This suggests that the problem is a real one.

6. If so, it is difficult to see what measures short of the ban on appeals proposed by Mr Ridley would be effective. The main disadvantage is of course that it removes companies' existing rights to demand a fresh look at their valuations, and this may attract considerable criticism. But against this it can be argued that companies have had ample time over the last 15 years to complain about their existing valuations. Much greater criticism might result if the new revaluation were not completed on time because of the

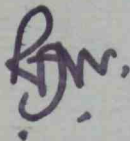


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pressure of appeals. Furthermore a good presentational point can be made out of freeing the Valuation and Community Charge Tribunals to consider appeals against the new 1990 valuations.

CONCLUSION

7. On balance the arguments seem to favour Mr Ridley's proposals. The Prime Minister will however wish to consider the advice which the Attorney General will be giving on the question of retrospection. Mr Ridley proposes that the ban on appeals should take effect from the date of announcement, although the legislation will not be enacted until later in the year.



R T J WILSON