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From the Secretary of State for Social ~~Services~~ Security

CONFIDENTIAL

The Rt Hon John Major MP
 Chief Secretary to the Treasury
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THE BURDEN OF BUSINESS RATES IN SCOTLAND

I have seen a copy of Malcolm Rifkind's ^{flap PT12} letter to you about ways of bringing the business rate burden in Scotland more in line with that existing south of the Border. ^{flap PT10.}

You may recall that I wrote to Nicholas Ridley on 11 October, after I had first seen his earlier letter of 28 June on this subject. I expressed concern felt about the possible impact on the level of community charge changes in Scotland might have. A fairly high proportion of Scotland's population is expected to receive help with the community charge payment. Although Malcolm has not said what contribution community charge would make to help eradicate the disparity and what would come from a central grant, any increase to the community charge in Scotland must result in additional benefit expenditure for which no provision has been made. Furthermore, as 20 per cent of the national average community charge has been added to the income support rate on a "once-off" basis, a planned increase to the level of community charge at this early stage would almost certainly lead to pressure for similar increases to income support rates. ^{flap PT11}

I am copying this letter to the Prime Minister, Malcolm Rifkind, Nicholas Ridley and other members of E(LF) and to Sir Robin Butler.

JOHN MOORE

LOCAL CONT: Rating P112

