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C. R. G. a

Treasury Chambers, Parliament Street, SW1P 3AG
PRIME MINISTER 01-270 3000

RATING APPEALS

I have seen Paul Gray's letter of 16 January recording your comments on Nick Ridley's minute of 6 January and have discussed them with Nick. We would like to discuss further with you and our offices have been in touch to arrange a meeting.

I can understand your concern about removing from ratepayers the right to propose changes in, and appeal against, rateable values in the existing 1973 list. (There is of course no suggestion that we should remove equivalent rights in relation to the new rateable values that will be used from April 1990.) A series of other measures have been implemented to enable the Inland Revenue to deploy its resources most effectively on the rating revaluation. Nevertheless, after carefully considering all the options, I agree with Nick that the consequences of not taking this action would be far worse. It may be helpful to set out the main considerations in advance of our meeting.

The difficulty is that unless we take action now to prevent a continuing flow of proposals and appeals against the old 1973 rateable values, neither the Revenue nor the local valuation courts will be able to deal promptly with justified changes to the new valuations. If the limited number of professional valuers available have to deal in 1990 with a large backlog of old appeals, the system for amending new rateable values will become clogged with up to two to three years' work. Although when changes were finally made they would normally be retrospective to April 1990, business ratepayers would complain in no uncertain terms if they had to wait so long.



There would also be unpredictable effects on the yield of the national non-domestic rate, and probably delays in preparing for the next rating revaluation planned for 1995.

You suggested that the Inland Revenue might find a rule of thumb multiplier for the rating of those properties they cannot resolve in time, with adjustment retrospectively once the new valuation is determined. This is indeed broadly the way they will have to value those properties they cannot assess fully in time; but we would still be left with all the problems mentioned above.

We therefore face a choice between:

- i. removing proposal and appeal rights against the 1973 rateable values, and facing some complaints now, to help get the reformed business rating system off to a much better start ; or
- ii. running a very substantial risk that a large number of new rating valuations will not be put right for up to two to three years, with a chorus of complaints from business ratepayers throughout the period from 1990 to 1993.

As Nick's minute noted, many proposals to change the present list are opportunistic proposals which should have little chance of success against rateable values which have often stood for up to 15 years. We could not say that of the complaints we would face from 1990, which would often be about more justified changes.

Neither option is palatable, but I believe it is politically essential to give priority to making a success of the new system.

In the light of Nick Lyell's letter of 19 January, which my officials have discussed with his, I suggest however that the Revenue should continue to keep the old domestic, as well as non-



domestic, values up to date until 1990. I understand that his concern was only about the suggestion that changes to domestic values of less than 20 per cent would be treated as de minimis - which was not an essential part of Nick Ridley's suggestion - and Nick Lyell has no difficulty with other aspects of the scheme described in Nick Ridley's minute.

I would also be content to make one other change to the scheme. Because it is non-domestic appeals which absorb the bulk of Inland Revenue valuers' time, we could maintain the rights of domestic ratepayers to propose changes in, and appeal against, old values, if you think it would help. All we would then be doing would be to oblige non-domestic ratepayers to wait until the new list is published, when they would be completely free to appeal against their new rateable values. This seems an acceptable price to pay for ensuring that the new system is introduced successfully.

I am copying this minute to Nick Ridley, John Wakeham, Peter Walker, Malcolm Rifkind, Nick Lyell, and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'NL'.

[NL]

23 January 1989