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The Rt Hon Sir Geoffrey Howe QC MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

*MSB (Point was discussed
in cabinet this morning)*

Rec'd 29/3

29 March 1990

Dear Geoff,

**HOLIDAY CARAVANS:
STANDARD COMMUNITY CHARGE AND BUSINESS RATES**

Chris Patten copied to me his letter of 27 March on the treatment of holiday caravans for the purposes of the community.

I very much sympathise with the difficulties which he describes and if there is no alternative to primary legislation for resolving these then I could have no objection to that. However the approach which he proposes to take would require legislation in Scotland for reasons which I will explain and I must ask that these be taken into account in the final decisions that are made.

In Scotland our original policy intentions have been met. Caravans which are used as a sole or main residence are treated as domestic property and are exempt from rates, their occupants being liable for the personal community charge. Caravans which may be used for year round occupation but where no one is solely or mainly resident are liable to the standard charge like holiday houses. Last, holiday caravans fall into non-domestic rating. The legislative approach proposed by Chris would appear to remove all caravans in the second, as well as the third, category from standard charge liability whereas in Scotland the second category would remain liable to the standard charge. There are a small number of these, possibly no more than 2,000, in Scotland but the financial disadvantage is likely to be sufficient to encourage the owners concerned to argue that they were being unfairly treated.

It is not clear why Chris wishes to move 'second-home caravans' out of the standard charge as this goes beyond our policy commitment. I would far prefer it if he could find a means of distinguishing between caravans which may be used as all year round residences from holiday caravans so that only the latter were moved into domestic rating. I understand that this has been looked at and rejected, as it would be too difficult given the way in which sites are licensed as "protected sites", but I would be grateful if it could be looked at again. If this approach is possible then we would be able to argue that all that Chris was doing was bringing the

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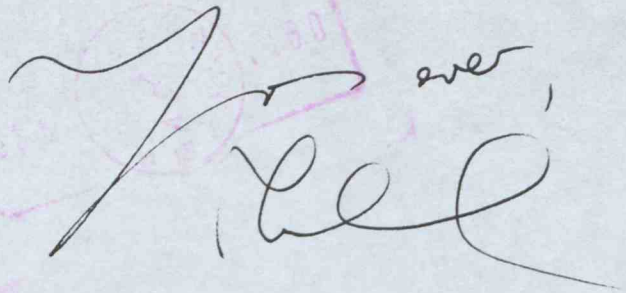
position into line with our original policy intentions and with practice in Scotland.

If this approach is not possible then it will be necessary to bring Scottish legislation into line with the legislation proposed by Chris. I might be able to do this by amending regulations but this would not provide for retrospection, so that in the circumstances I will have to join with him in amending primary legislation with the need to satisfy the inevitable demand for retrospection not just to 1 April 1990 but to 1 April 1989. I am not attracted by this prospect but it is the course which would be necessary in the circumstances.

Whatever is decided the statement made on Friday must refer to Scotland and, if Chris' proposals remain their present form, I suggest an addition along the following lines:-

"The legislative position is different in Scotland where holiday caravans are not liable for the standard community charge unless they are able to be used for all year round residence. However the change I am proposing may lead to caravans in England being subject to non-domestic rating which in comparable circumstances in Scotland would be liable to the standard charge and my rt hon and learned Friend the Secretary of State for Scotland has concluded that legislative change is therefore required in Scotland and the necessary provisions be included in the Bill which I will bring forward."

I am copying this letter to the Prime Minister, to other members of QL, to Norman Lamont, Michael Howard, Chris Patten, Peter Walker and Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Malcolm Rifkind', with a large flourish extending to the right. The signature is written over a faint pink circular stamp.

MALCOLM RIFKIND