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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 October 1990

Dear Phillip,

NON-DOMESTIC RATE POUNDAGE

The Prime Minister was grateful for your Secretary of State's minute of 8 October about indexation of the non-domestic rate poundage in 1991-92.

The Prime Minister sees the case for full indexation of the national non-domestic rate poundage next year in both England and Wales. However, the Prime Minister is concerned that, under the transitional provisions (and irrespective of the decisions on the national poundage) some small businesses could face increases in rate bills in excess of 25 per cent - depending upon the figures for the September RPI.

The Prime Minister wonders whether the transitional arrangements might be changed to offer some greater protection for those small businesses. As we discussed, such measures could include placing a lower cap on the maximum increases in rate bills in 1991-92 for small businesses; and this could be funded by limiting the reduction in rate bills for businesses which gain under the new arrangements.

We agreed that DoE officials, in consultation with Treasury and Welsh Office officials as appropriate, should consider urgently whether there are options which would reduce the burden on small business losers; whether these could be funded on a nil cost basis by restricting the reductions in rate bills for business gainers; and what the implications would be for achieving full adjustment of rate burdens under the 1990 revaluation.

I am copying this letter to John Gieve (HM Treasury), Jeremy Heywood (Chief Secretary's Office) and to Judith Simpson (Welsh Office).

Yours
Barry

BARRY H. POTTER

Phillip Ward, Esq.,
Department of the Environment

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