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Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

NON-DOMESTIC RATING

I have seen a copy of Chris Patten's minute of 16 October.

with BP?

2. I note that Chris's existing powers do not permit greater protection for small businesses, even on a nil cost basis, during the transitional period. The choice is therefore between immediate major legislation, full indexation for all business ratepayers, and less than full indexation for all business ratepayers.

3. I am strongly of the view that we should index fully. As Chris said in his minute of 8 October, business as a whole has done well from the move to the NNDR; unlike the community chargepayer, it is now protected from the vagaries of local government spending. It would send quite the wrong signal in present circumstances if the Treasury were to exercise its power to under-index the NNDR; and we would be unable as the law stands to recover the revenue foregone by over-indexing in future years.

4. Nor do I believe we can contemplate the risk that hasty legislation would pose to the prompt and orderly collection of NNDR next year, and maybe to the overall structure of the tax.

Kate Gaselini
pp [J.M.]

[Approved by me Chancellor of the Exchequer and signed on his behalf]

18 October 1990

LOCAL GOVT

Rates

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