

E. R.

PRIME MINISTER

Lord Rothschild has asked to come in and see you on Monday to ask you a question about his local government review. He has been characteristically mysterious about the question.

I suspect that he wants to ask you whether you would like to abolish domestic rates completely. He hankers after this, partly (I suspect) because it would be a dramatic solution to the problem. But abolition would involve a larger poll tax and, unless this was graded in some way according to income (which would cause complications), it would fall more heavily than the rates on people with low incomes.

You are due to have a seminar at Chequers on Sunday 31 March when both the Department of the Environment and Lord Rothschild will be presenting their ideas. I suggest that, in giving Lord Rothschild a steer you tell him that you will want to wait for that presentation before reaching a firm view.

Note from John Redwood attached.

F. E. R. B.

15 March 1985