IMMEDIATE

rcd 7.15 pm. 7 March.

TO: ROBIN FELLGETT
LG DIV'N
RM 102/1
HM TREASURY

2TQ 4945

FROM: CHRIS DUNABIN
FLT(A)
N6/04
DOE
2 MARSHAM ST

DRAFT LINE FOR PRESS OFFICE AS DISCUSSED. (SEE ITEM "HIGHER POLL TAX FEARS" BY ANDREW EVANS ON PA TAPE AT 13.19). QUICK COMMENTS PLEASE

prep -

APS/Chancellor cc Mr Rick Allen.

Attached is a line that DoE have prepared (and I have amended) for their press office to use as background in response to press stories that the Chancellor's power to uprate the National Non Domestic Rate will increase Community Charges. They understand that any quotes for the record will need to be cleared with Treasury Ministers.

Robin Fellgett
7/3

The Chancellor's power to uprate the national non-domestic rate by less than inflation is not one which the Government would envisage being used as a matter of course, or frequently. It might be used for any of several reasons. For example, it might be considered to offset any increase in the rate base arising from the construction of new buildings, or to give businesses a share of any efficiency savings which local authorities are able to realise. In neither of those cases would there be any extra burden on community charge payers. The power is not limited to such cases, but even where those considerations did not apply, it would be open to the Government to offset any real-terms fall in the NNDR by an increase in the third main element of local authorities' income, namely Revenue Support Grant. For example, the Chancellor might decide that it would be appropriate to adjust the burden of business taxation as between rates and some other tax, leaving unaffected authorities' total revenue from NNDR and grant together.

nevertheless provides an opportunity to cut the real rate of this tax on business, if economic and financial circumstances suggest that this would be appropriate in a particular year.

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