

CONFIDENTIAL

FROM: JUDITH CHAPLIN  
DATE: 23 November 1988

CHANCELLOR

Cc: Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Monck  
Mr Phillips  
Mr Scholar  
Mr Culpin  
Mr Turnbull  
Mr Edwards  
Mr Potter  
Mrs Holmans  
Mr Fellgett  
Mr H Burns  
Mr Tyrie  
Mr Call

*[Handwritten notes in red ink:]*  
[this is comment a  
Fellgett note below]  
In general, I agree with 7-9 for  
Pittman, I agree with 2-4 for  
S-6, for political reasons  
has to be some special  
arrangements for small  
businesses; but for  
the reasons given  
for more (small) firms  
than Mr R  
also note  
on 11.11.88  
Fellgett  
J.C.

UNIFORM BUSINESS RATES AND REVALUATION: TRANSITIONAL ARRANGEMENTS

Although businessmen should be aware of the likely rateable values of their properties having completed revaluation returns I believe, from my experience at the IOD, that many are still ignorant of the scale of the change. I think the publication of the Valuation Office report on the likely changes will raise substantial protest mainly, of course, in the South. There will be protest too from particular businesses who expect their rates to go down because they are, for example, in the Midlands and yet whose rates may go up because of the type of business and because of the increase over time of the rate poundage. All the losers will, of course, shout louder than the gainers.

2. I therefore think it would be a pity if the Secretary of State for the Environment maintains his line that he can give no commitment to extend the relief beyond the fifth year or if he decides to bring in a scheme which ensures that all gainers reach their full gain by the next revaluation which



would by definition mean all losers would have to reach their new assessments by the same date.

3. It would be easier to defend the changes, however large, if at the same time it could be said that there would be no change in a single year greater than X per cent. The RPI increase has to be added to the X per cent. I think the 20 per cent you favour would be acceptable to the business organisations although they will make a fuss about their original request of 10 per cent not being met.

4. The argument that for equitable reasons the change should be brought in within five years seems to me less strong than the value of having a clear ceiling above which increases won't go. The gainers are by definition surviving even with the higher rates.

5. I am also fairly sceptical about the value of a different level of phasing for small and large businesses. The small business organisations which were asking for a lower percentage for small businesses were doing so because they claimed that rates are the equivalent of a larger percentage of small business profits than large business profits. They were looking at small businesses in financial terms which are not, of course, always closely correlated to the rateable value of business premises which for practical reasons are being suggested to define small businesses. I think there will be substantial anomalies and the accusation that some small businesses, which are small in rateable value terms but perfectly successful, are being given an unfair competitive edge compared with other businesses in larger premises which are far less profitable.

6. However the DOE may feel that they need to make the differential for the losers so as not to be accused of damaging small businesses - a powerful lobby. I think the argument becomes even weaker when looking at the gainers, for the large gainers are having their gains slowed down both by

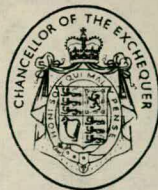


the losers and the small gainers. I would have thought that all businesses should gain at the same rate.

7. Finally, I think that the implications from the suggestion that the gains and losses will balance over the five year period rather than from year to year should be fully explored. Local Authorities seldom remember that they had extra in grant one year for a specific reason and always shout that there are cuts if that additional grant is removed.

*J*  
JUDITH CHAPLIN



FROM: A C S ALLAN *ACS*

DATE: 28 November 1988

MR FELLGETT

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Monck  
Mr Phillips  
Mr Scholar  
Mr Culpin  
Mr A J C Edwards  
Mr Turnbull  
Mr Potter  
Mrs Holmans  
Mr H Burns  
Mrs Chaplin  
Mr Tyrie  
Mr Call

**UNIFORM BUSINESS RATES AND REVALUATION: TRANSITIONAL ARRANGEMENTS**

The Chancellor was grateful for your minute of 22 November, and for Mrs Chaplin's comments in her minute of 23 November.

2. He is broadly content with Mr Ridley's scheme, subject to:

- (i) he agrees with your proposal in paragraph 6 that if some concession to small business gainers is necessary, the best would be to have the same differential as for losers (eg 10 per cent gains for big business and 15 per cent for small). But he thinks we shall need to explain fully why this would be preferable;
- (ii) he would not wish to publish the IR statistical study, which was designed to enable us to decide on transitional arrangements, and which - if published - would cause immense aggravation to no benefit.





3. On Mrs Chaplin's minute, he agreed with the points in her paragraphs 2-4, that there is little to be gained by the Secretary of State for the Environment maintaining his line that he can give no commitment to extend the relief beyond the fifth year. He also agreed with the point in her paragraph 7 that we must look carefully at the suggestion that the gains and losses will balance over the five year period rather than from year to year. On her paragraphs 5-6, expressing scepticism about the value of a different level of phasing for small and large businesses, he feels that for political reasons there has to be some special treatment for small businesses; but for the reasons Mrs Chaplin gives it should be more limited than Mr Ridley seems to envisage.

ACSA

A C S ALLAN