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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

26 August 1988

Dear Mr. Burnham,

Thank you for your letter about the reform of business rates.

I do understand the concerns of the Scottish business community over this whole question and, in particular, the need to make rapid progress towards ensuring that the rate burden on Scottish business does not put it at an unfair disadvantage over its competitors in the South. I do not think there is any difference between us over these objectives. In developing our policies we have not in any way departed from the principle clearly set out in our Green Paper "Paying for Local Government" that there was advantage in moving to a common non-domestic rate poundage in all areas.

We have however always been clear that, in Scotland, business rates reform would have to take place in a series of stages, and that there was no question of extending the idea of the uniform business rate to Scotland until valuation practice had been harmonised. In the meantime, Scottish business will get substantial - and, as you point out, very necessary - protection from sudden and sharp increases in its rates bills through the statutory provisions now in place for the index-linking of local authority rates from 1989-90. The practical benefits of this measure should not be under-estimated.

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As I made clear when I wrote to your predecessor last month, the programme of harmonisation will not be completed in the 1990 revaluations. I do appreciate your sense of urgency over this whole matter and I can assure you that we will take full account of this as our consideration of the issues continues.

Yours sincerely

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R.S. Burman, Esq.