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PRIME MINISTER

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

- WMPG 7pm?

I have seen Nicholas Ridley's minute dated 29 November to you on this matter.

The revaluation and uniform business rate will produce shifts in the rate burden in Wales which broadly follow the English pattern. Shops will bear a rather large share of the burden, and the proportion contributed by warehouses and factories will fall. There will be a distributional benefit for ratepayers in the South Wales valleys relative to those in the rest of Wales - we forecast a reduction of 13% in the valleys' share of the total rate burden, and an increase elsewhere of 4%. This will be good news for business in the valleys.

My proposals for transitional arrangements in Wales are very similar to those which Nicholas advances for England - an annual percentage ceiling on increases of 20% for large businesses, with a reduced ceiling of 15% for small businesses (those with a new rateable value of less than £5,000).

To meet the revenue losses which these proposals entail, and in order to balance the Welsh non-domestic rating pool, I propose to set a limit for gainers, but at a different level from that proposed for England. For large business gainers, a limit of 12% will secure the revenue necessary to meet the losses caused by protecting the position of large and small business losers, and this is the figure I propose to adopt for Wales. Small business gainers will obtain the full value of their rate reductions immediately. Those non-domestic properties whose new rateable values indicate that they are not truly businesses will be exempt from these transitional arrangements.

These proposals differ from those for England only in relation to the different limit advanced for large business gainers. Nicholas proposes to inform the house of the protection for losers, but to give only a provisional indication of what this will mean for gainers. Since our proposals for protection for losers are the same, I am happy for Nicholas to take the lead in informing the House of what we intend to do.

.../Nicholas

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Nicholas refers in his minute to arrangements for publication of the results of the revaluation exercise, and to the need to discuss this further with Nigel Lawson. Since the publication will include projections of the effect of the revaluation in Wales, and in view of my forthcoming assumption of responsibility for Welsh rating matters, I would wish to be involved in the discussions.

Copies of this go to members of E(LF), to John Wakeham and David Waddington, and to Sir Robin Butler.

7 December 1988

Keith Jarvis

PW

Approved by the Secretary of State
and signed in his absence

LOCAL GOVERNMENT: Future of the Rating System
Pt. II.

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