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My ref:

Your ref:

The Rt Hon Malcolm Rifkind QC MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
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B/F Wedderburn
P.

23 January 1989

Dear Secretary of State

MR

THE BURDEN OF BUSINESS RATES IN SCOTLAND

I have seen a copy of your letter of 9 January to John Major about the harmonisation of non-domestic rate poundages in Scotland and England. ^{flag B}

In principle I agree we should aim to achieve a level playing field so as to remove disincentives to business to locate in Scotland. I am content too with the sort of transitional arrangements you propose and that the necessary measures should be included in the Local Government and Housing Bill.

My main concern is with how the cost of your proposals is to be met. I could not accept that harmonisation should be at the expense of English rate and community charge payers and I am glad to note that you are not proposing either a GB rates pool or redistribution of grant. The appropriate division of the burden between Scottish community charge payers and grant is a difficult issue to judge. I note your view that community charge payers in Scotland cannot be expected to pay much more. On the other hand it is also worth observing that the early indications are that community charges in Scotland seem likely to compare quite favourably with those in England.

I am copying this to the Prime Minister, other members of E(LF), and to Sir Robin Butler.

Yours sincerely
R. Butler

B.F. NICHOLAS RIDLEY
(Approved by the Secretary of State and signed in his absence)