

SECRET

PRIME MINISTER

RATING APPEALS: MEETING WITH CHANCELLOR, MR. RIDLEY AND
SOLICITOR GENERAL

Earlier this month, Nicholas Ridley put to you proposals designed to deal with a major problem affecting the implementation of the new business rating system. The centre-piece of the proposal involved restricting the right of appeal by both domestic and non-domestic ratepayers about their existing 1973 valuations.

You felt that this was just not on, and that it would be totally inequitable to deprive people of a right of appeal for the administrative convenience of Government. You suggested that the Inland Revenue should find a rule of thumb multiplier for those properties they could not re-value in time, with adjustment retrospectively once the new valuation was determined.

The Chancellor and Mr. Ridley are unhappy with your ruling and would still like to proceed with a package involving limiting ratepayers' rights of appeal over existing valuations. The Chancellor's minute of 23 January, immediately below this minute, sets out their case. Tomorrow's meeting is for you to talk this through with the two of them and the Solicitor General. Hopefully you can settle the issue tomorrow - if not one possibility would be to take it to E(LF) on Thursday.

The Chancellor's latest minute proposes two changes from the original package:

- following the Solicitor General's letter of 19 January (next paper down) the Inland Revenue should continue to keep the old domestic, as well as non-domestic, values up to date until 1990;

- rather than remove the rights of both domestic and non-domestic ratepayers - as originally proposed - the change

would now only apply to non-domestic ratepayers.

The Chancellor's latest minute also argues that your proposal about an Inland Revenue rule of thumb multiplier would not solve the problem.

You will want to consider whether the Chancellor's latest package, as amended, meets your concerns, or whether you still want to see further changes in it.

As well as the latest papers, I am also including the earlier papers that I put to you. You based your earlier reaction on my covering minute of 13 January, but you may wish to glance through the detailed papers appended to it at Flags A-G which set out the detailed arguments.

Paul

(PAUL GRAY)

24 January 1989