

17a-c.

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PRIME MINISTER

NEW NATIONAL NON-DOMESTIC RATE ARRANGEMENTS

Most of the arrangements for the new NNDR were settled last year. But two main aspects are still outstanding:

- (i) A complex of technical details that you asked Messrs Ridley and Major to try to sort out bilaterally.
- (ii) Rating Appeals - you resisted the earlier proposals from the Chancellor and Mr Ridley and asked them to consider alternative options.

We now have revised proposals on these aspects. Mr Ridley is keen to make an early comprehensive announcement, so that planning for implementation of the NNDR can proceed.

(i) Technical details

The papers attached are:

Flag A - minute from Mr Ridley summarising the agreement reached with the Chief Secretary

Flag B - note which I asked the Cabinet Office to prepare analysing this package

Flag C - Policy Unit comments

I suggest you work through the papers in this order. The Cabinet Office (Flag B) suggest there are two points you will want to consider:-

- Whether to accept the Ridley/Major proposal exactly to offset any increase in Government contributions in lieu of rates on Crown properties by a corresponding reduction in the amount of Exchequer grant; or, as

6 (i) looks like a device to keep govt - rates constant, and gain an advantage to govt which others do not have.

This will discredit ~~the~~ our whole approach

Mr Rifkind may suggest, say that changes in Government contributions should be taken into account in fixing Exchequer grant.

This is a better formulation - the phrase one was certain.

- Whether you are satisfied that the arrangements for setting the initial NNDR poundage meet the Government's existing public commitment.

The Policy Unit recommend you to accept all aspects of the Ridley/Major package, but to emphasise the need for care in handling the presentation of the Inland Revenue survey of the impact of the new business rates; and to urge an announcement as soon as possible to maximise the gap between Mr Ridley's announcement and the next RPI figure.

(ii) Rating Appeals

The papers are:

Flag D - my record of the last meeting

Flag E - revised proposal from Mr Ridley

Flag F - comments from the Policy Unit

The revised proposal builds on the suggestion Mr Ridley came up with at the end of the 25 January meeting, namely rebasing the transitional arrangements for the introduction of the business rate in order to remove the incentive for ratepayers to appeal. The effect of this revised approach is that ratepayers' rights of appeal in relation to rating arrangements up to March 1990 are unaffected; the only impact is now on what happens during the transitional period.

The Policy Unit recommend you to accept the revised approach, while emphasising the importance of continuing to monitor the risk of delays to the post-1990 regime as a result of the impact of a shortage of valuers.

Decisions

On the technical details package:

- Are you content with the Ridley/Major package?

- See previous comments. Prefer "Technical account"

*Very much
no*

- Do you wish to emphasise the need for care in handling the Inland Revenue data and the desirability of an early announcement?

- on a much later one will after the Feb 17th RPI

On Rating Appeals:

- Are you content with Mr Ridley's revised proposal on new transitional arrangements?

Yes

- Do you want to register the need to monitor the impact of valuer shortage?

Yes

Rec.

Paul Gray

7 February 1989