



✓ *W. B.*

PRIME MINISTER

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

at flag A

I have seen a copy of Nicholas Ridley's minute to you of 7 June with revised proposals for transitional arrangements for non-domestic ratepayers. I too have been considering this matter in the light of comments received on our consultation paper.

My original proposals mirrored those proposed for England, save that I envisaged being able to phase in reductions for gainers rather more quickly than was possible for England. Even so, the proposals to defer gains in order to pay for the protection of losers was the subject of severe criticism and, like Nicholas, I believe that we should do what we can to avoid alienating those who, being entitled to reductions, ought strongly to support our policy. I therefore also favour the adoption of a premium on the poundage as a method of enabling gainers to obtain their reductions more quickly.

Like Nicholas, I consider our original proposals for protecting losers - a 15% maximum increase in real terms, year-on-year for small businesses, and a 20% maximum increase for large businesses - struck the right balance, and I propose to retain it. But I have been persuaded that the threshold for small businesses should be raised, in Wales, to £10,000 rv on the new list. My proposals for a premium take this into account.

It would be possible for me to balance the Welsh NNDR Pool each year by imposing premia of 4p, 1½p, 1p, ½p and 0p in the five years 1990/91 to 1994/95, without the need for a cap on reductions. But the effect, in year 1, would be that more than 75% of non-domestic ratepayers would be losers. If, however, I combined a lower premium in year 1 with a cap on reductions at the same level as Nicholas proposes for England (20% real), I can reduce the number of losers to about 65%. The pattern of gainers and losers in Wales would then only marginally differ from that which will obtain in England. Accordingly, that is the arrangement I wish to adopt. The attached Table sets out these proposals, and their effects, in more detail.

/On other issues, I am...



On other issues, I am persuaded that we should limit protection to existing occupiers, and that we should not extend it to new buildings. I agree with Nicholas that we should wait for the Inland Revenue's further information on the effects of the revaluation before finally settling the figures, and that it would therefore be appropriate to wait until July before making any announcement. My officials will need to discuss with Nicholas' what arrangements should be made about announcing the Welsh aspects of these revised proposals, should you and colleagues agree them.

... I am sending copies to members of E(LF), to John Wakeham, David Waddington and to Sir Robin Butler.

9 June 1989

PW



REVISED TRANSITION SCHEME - WALES

Premiums are 2p, 1½p, 1p, ½p and 0p. RV threshold is £10,000. Cap on gainers of 20% in real terms in the first year.

1. First Year Change

Number of properties (000)

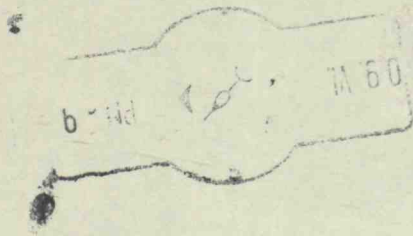
Gainers	Small Properties	Large Properties	All Properties
50% or more	0	0	0
21% to 49%	0	0	0
5% to 20%	20	5	25
Total	20	5	25
Little change	5	0	5
Losers			
5% to 10%	5	0	5
11% to 20%	50	10	60
Total	55	10	65
Overall Total	80	15	95

2. Five Year Changes

Numbers: thousands; Rate bill: £m

	Gainers		Little Change		Losers		Shortfall (-)/ Windfall (+)
	Numbers	Rate Bill	Numbers	Rate Bill	Numbers	Rate Bill	£m
1990/91	25	120	5	30	65	180	0
1991/92	25	100	5	50	60	180	0
1992/93	25	110	10	60	60	170	0
1993/94	25	110	10	60	60	170	0
1994/95	30	110	5	60	60	160	0

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