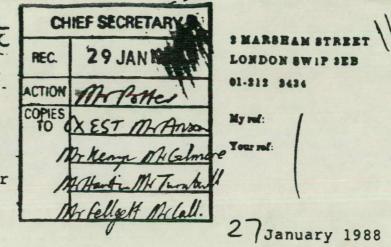


The Rt Hon Nigel Lawson MP Chancellor of the Exchequer HM Treasury Parliament Street SWIP 3AG



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NON-DOMESTIC REVALUATION: FORECASTS

You may recall that in April last year the Inland Revenue circulated within Government a set of forecasts of the likely effects of the 1990 non-domestic revaluation. These are based on estimates from local valuation offices.

We have found those estimates extremely valuable in helping us to deal with worries about the effect of the revaluation and to challenge some of the more alarmist stories being spread by the various interest groups. The results of that survey are also the only reasonable basis we have for estimating the likely level of the national non-domestic rate poundage in 1990 which is a subject of considerable speculation by the business community.

The Valuation Office have now issued their rent return forms, many of them should by now have been returned. This exercise in its own right has excited considerable interest among businessmen as to the likely impact of the revaluation and I am sure that this will be reflected in the consideration of the Local Government Finance Bill in Parliament. Since it is known that the information is available to Government, it will become increasingly difficult to refuse to give any estimate of the impact of the revaluation. And, indeed, where there are unnecessary fears, it will be helpful to us to be able to discount them.

I am therefore writing to seek your agreement to an exercise by the Inland Revenue to update last year's forecasting exercise, but based on the actual rent returns. I think we should undertake such an exercise with a clear view that we will be wanting to publish at least a summary of the results.

I understand there are resource constraints which may prevent the Valuation Office devoting much effort to such an exercise before the end of March. My officials would, of course, wish to assist in any way possible in the design of the exercise and offer any help otherwise that they can. My hope would be that it would be possible to have some results which we could use to assist us during the course of debate in the House of Lords.



CHEX 27/1

I hope you can agree in principle to such an exercise so that officials can get on with defining it and working up a firm timetable.

I am copying this letter to Malcolm Rifkind and Peter Walker.

NICHOLAS RIDLEY