

## 10 DOWNING STREET LONDON SWIA 2AA

26 August 1988

THE PRIME MINISTER

(Business Rates (Business Rates in Scotlad)

Thank you for your letter of 3 August about the harmonisation of business rates.

Vean The Campbell.

I have taken careful note of all that you say about the need for prompt measures to ensure that the rates bills on Scottish business are not out of line with those south of the Border. In our Green Paper "Paying for Local Government" we made clear that we saw advantage in moving to a common nondomestic poundage in all areas and since then our policies have been aimed in that direction. We have no intention of going back on what we have set out to accomplish.

I do however think that we have to be realistic about timing. As I explained in my letter of 1 July to Mr. Macpherson of the Association of British Chambers of Commerce, the discussions on the harmonisation of values between the Scottish Assessors' Association and the Inland Revenue Valuation Office have made significant progress. I am grateful for your acknowledgement of what has already been achieved in this area but there will still be work to be done after 1990. The issues, are too complex to be resolved in . Only a year or so and it is important that we get it right.

You can however be assured of our resolve to see through the programme of reform on which we have embarked.

Lows sincerely Daganishalita

David Campbell, Esq.

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## GLASGOW CHAMBER OF COMMERCE

Royal Charter 1783

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30 GEORGE SQUARE GLASGOW G2 IEQ

3 August 1988

The Rt Hon Margaret Thatcher MP Prime Minister 10 Downing Street House of Commons London SWIA 2AA

Dear Prime Kinster,

Harmonisation of Local Authority Rating Throughout the UK

I have seen copies of your correspondence with the Chairman of the National Council of the ABCC and write with particular reference to your letter of 1 July to emphasise and develop points which should be kept in mind in a Scottish and United Kingdom context.

The main danger is that the United Kingdom will become obviously divided as a result of different rate poundages in Scotland and UER England. This will be aggravated by increasing differences in rates charged per square foot of business premises which is the significant ratio for companies in competition with each other or deciding to relocate. The much vaunted interim protection from increases above the rate of inflation in Scotland is not significant when compared with the prospects of substantial savings to other businesses elsewhere as a result of revoluation correcting anomalies and distortions which have persisted for many years south of the border. In any case the Secretary of State for Scotland has decided to make Scottish companies continue to pay excessively by including clawback penalties impored on over-spending councils in the back rate for 1989. Clawback, it peess, is not a significant distortion, to use the language of the guidance director, although rates in several authorities are significantly higher because of penalties. 40% industrial derating demonstrates a Government judgement that Scottish valuations and rates paid are at least 40% out of line with comparable properties in England and Wales. Other non-dosestic ratepayers in Sections currently pay extra to finance the benefits enjoyed by narufattirers. Telling examples absend. The Section Exhibition ..... Conterence Centre is a sixth of the size of the National Exhibition Seatte in Birt, mar but pays the name in raten; John Mention Stones pay three times as made it lotland as in England for similar lites; or headel groups who first that lostingh rate differentials increase their overnight sharpes; by the sent. In the difustion of operators of large plants.

The whole point of UBR is to lead towards level playing fields by removing such distortions which can be described as a form of negative regional policy. We accept that correction of anomalies is not always comfortable since some gainers and some losers change places but we believe that prompt action can be taken to overcome administrative difficulties. We would welcome a statement of when you would hope to achieve a UK wide UBR which we would like to see in place at the same time as the reforms are implemented in England and Wales.

We would like to see accelerated progress towards marmonisation not to indermine what has already been achieved, and which we welcome (such as the decision on the decapitalisation rate of interest for BP plant); but to avoid the damage that will occur to the UER concept and to other UE policies if it does not cover Scotland from 1990.

The existence of separate bodies of statute and case law could easily be resolved by identifying which takes priority - there is already scope for English evidence where comparable evidence is not available in Scotland. The Scottish Assessors could even be transferred as public servants, answerable to the Secretary of State, from Scottish Regional Councils to the Inland Revenue Valuation Office; or alternatively, since they have much current rating valuation experience and considerable numbers of able staff to undertake English revaluation; since valuations are about relativities all that matters is that principles are applied consistently.

Separate taxation of Scottish businesses is inconsistent with the concept of a unitary state and cannot be justified as guid pro guo for different per capita levels of centrally funded expenditure which is usually taken to reflect government priorities and assessment of needs. The components of the public expenditure comparisons are different to take account of varying circumstances in the countries and administrative regions which make up the United Singdim. The effect of level playing fields can only be achieved by varying amounts of public expenditure to compensate for underlying variations. A US USR does more to create a level playing field than the establishment of an identical level of centrally funded public expenditure per capita across the United Kingdom.

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Jans successly,

LAVID F CAMPBELL President.

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30 GEORGE SQUARE GLASGOW G2-1EQ 6 September 1980

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The Rt Hon Hangeret Thatcher MP Prime Minister: : 10 Downing Street London SW1A 2AA

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All-Britain Uniform Business Rate.

Welcome to Glasgow. We are always delighted when you find time in your busy schedule to wimit our great city.

1 thank you for your sletter of 26 August and welcome your asburances of your resolve to som through the programme of rating reform on which you have embarked.

However, since T last wrote business outrage has increased and there has been concerted media coverage on the subject of UBR. This stems largely from an "end of term" interview which the Scottish Office Minister of State with responsibility for local government finance gave to the Glasgow Herald and the Scotsman. In the interview Mr Lang stated that it was more a question of "if" rather than "when" a UER would be introduced to cover Scotland. There have been worrying indications that some Cabinet colleagues are openly hostile to the introduction of an United Kingdom UBR. Also that some civil pervants are opposed to the concept and as such have been raising objections and causing delays.

While we are well aware of the complexities of harmonisation they can easily bu resolved given the political will to instruct assessors and district valuers on peints of principle and practice, backed up by statute as necessary. The Secretary of State for Scotland now has the power to make "rules" about valuations during the transitional period. We are greatly concerned that harmonisation will become the excuse for delay in implementation of a UK wide UUR especially if others lack your resolve for the programme of reform on which you have embarked.

If there has to be any delay in introduction then it is important that Scottish Businetises are not disadvantaged after the introduction of a DBF in England in 1990, particularly with the prospects for the Single European Market in 1992. At the last election, when there was a significant lack of support for the Conservative Party in Scotland, the business community remained loyal and supportive. That loyalty will be rested to the extreme if businesses in Scotland are taxed tor any length of time at a higher rate than their counterpart south of the border. The present proposed indexation with RPI of a base rate which includes "elawback" is not good enough by comparison with English-UER-ond-cevaluation proposals.

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We all wish the play on Lord Young's "level playing field" but it will take someone of your proven ability to achieve radical reform by smoothing out some of the large bumps with a collet and then removing vested interests by banging together a few recalcitrant heads.

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Matters toudo with harmonisation can easily be resolved given political will to decide whether to adopt Scottish or English practice in each instance and the main areas of difference must have been identified by now. Alternatively a UK URR at the level of the English UBR could be imposed in 1990 even if Scottish valuations had not been harmonised. This would cause less pain to Scottish business than the present divided system aince all UK business premises would have been revalued on the basis of recent market rental evidence, while for the large plant operators existing discrepancies would be eased by the relatively lower rate poundage. Any consequential adjustment in public expanditure would be part of the price of level playing fields and could be justified on a once and for all basis.

Prime Minister, tonight you are addressing a large audience of industrialists and businessmen based in Scotland. This is a marvellous opportunity for you to spacify the timetable for reform demonstrating your Government's commitment to an effective DK wide Uniform Business Rate by 1990 or 1992 at the latest.

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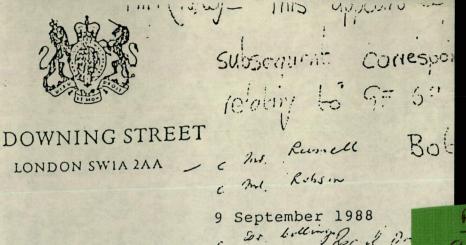
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**10 DOWNING STREET** 

THE PRIME MINISTER

9 September 1988 c Dr. bollingfler & Dr c. m. Jolmond

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Thank you for your further letter about business rates.

May I first reiterate what I said to you in my own letter of 26 August: "In our Green Paper "Paying for Local Government" we made clear that we saw advantage in moving to a common 'non-domestic poundage in all areas and since then our policies have been aimed in that direction. We have no intention of going back on what we have set out to accomplish.".

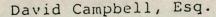
I understand your concern that the rates bills facing Scottish business should not be out of line with those in the South. And I am most anxious to ensure that you are treated fairly compared with others elsewhere in Britain. The harmonisation of valuation is one aspect of the problem and it is under consideration now. As I went on to explain in my letter of 26 August, the issues here are complex and it is important to get the right solution.

I am also concerned at the underlying problem of high local authority spending, which has been one reason for the level of rates you pay. We have to consider that too. The new community charge arrangements should of course produce more moderate spending policies.

These and other aspects must and will be looked at together. Malcolm Rifkind and I will be taking a very close personal interest in any further action that may be necessary. And let me repeat my earlier assurance of our resolve to see through the programme of reform on which we have embarked.

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Lows sincerely Aaganshaute



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