

CONFIDENTIAL

Prime Minister

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Prime Minister

FUTURE LEGISLATION ON RATES



Agree to a  
discussion at  
E in the New  
Year?

✓ AD

17 December 1981

(suggest you glance at Parly Counsel's  
letter, attached).

I thought it right to involve colleagues in the very real difficulties we face next year over our proposals to remove or reform domestic rates.

The Green Paper has been published and we are asking for replies to the consultation by 31 March. Effectively this allows only 3 months and we could not realistically reduce it significantly.

If we wait for responses to the Green Paper to come in, we shall need at least 2 months to consider them and further information on the distribution of burden of taxes in order to decide whether we reform the existing system, or, if we decide to abolish it, what tax or taxes replace it. Even if we decided not to wait for the Green Paper responses we still would need the information on burden of taxes which cannot be ready before Easter.

It is just conceivable, therefore, that we might be able to reach a primary conclusion on a new tax or taxes in June. But if we wish to legislate next Session - we would then have only 4 months to take further decisions on the form and detail of the chosen tax and draft a complex piece of legislation.

This is a very tight timetable particularly when one remembers that the Parliamentary Party - to say nothing of our supporters in local government - would expect to have a period to absorb the Government's conclusions, albeit in an informal way, before final decisions were taken. You will also wish to see the views of First Parliamentary Counsel in his letter of 1 December attached. The timetable may well prove impossible if we replace rates with a new tax.

The key question is whether we try to keep open the option of legislating next Session. If we don't so wish, of course, a more extended timetable is possible - for example, publishing a White Paper in the Autumn and a Bill at the end of the 1982/83 Session but I believe at this stage that we should at least keep our options open to be able to introduce a Bill next Session. Obviously, the more radical our decisions, the less realistic this option becomes. In the light of what I have said I know colleagues will wish to avoid giving an impression publicly that could be interpreted as a commitment to legislate to any particular timetable.

But in order that the options remain as open as possible I propose to run in parallel to the public consultation a very detailed consultation of the Parliamentary Party, together with the Leaders of both Houses and the Chief Whips. I will seek to establish the preferences of each Tory member of the Commons and appropriate members of the Lords.

I would bring an initial view of these consultations, the further work on tax burden, and responses to the Green Paper to colleagues in April. I shall then consider if it is possible to give advance guidance to my officials if we feel at that time that we can see our way forward. But my initial feeling is that officials will not be able to undertake useful work until we have taken a firm decision on whether we abolish rates, and, if so, what tax replaces them. I would welcome an early

opportunity to discuss this with colleagues and suggest that this minute might provide the basis for a discussion at E Committee early in the New Year.

I am copying this to members of Cabinet, the Chief Whip and Sir Robert Armstrong.

*MH*

MH

CONQUEROR



FILE

BM

Local Govt.

10 DOWNING STREET

*From the Private Secretary*

22 December, 1981

Future Legislation on Rates

The Prime Minister was grateful for your Secretary of State's minute of 17 December on the Government's proposal for removing or reforming domestic rates.

The Prime Minister thinks it a good idea for your Secretary of State to run in parallel to the public consultation a detailed consultation of the Parliamentary Party, as proposed by your Secretary of State. She also agrees to an early discussion at E Committee of these issues.

I am sending copies of this letter to the Private Secretaries to the other members of Cabinet; to the Chief Whip and to Sir Robert Armstrong.

M. C. SCHOLAR

David Edmonds Esq  
Department of the Environment

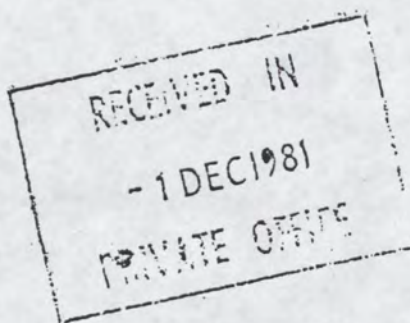
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1 December 1981

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Private Secretary to the  
Lord President of the Council  
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Dear David

ABOLITION OF RATES

In the course of Prime Minister's Questions on Tuesday 24 November (Hansard col.752) the Prime Minister said that the speed of consultation after the publication of the forthcoming Green Paper on alternatives to the domestic rating system would determine "whether we can bring forward a Bill, as I believe would be advisable if it is possible, during the present Parliament".

2. A Bill to abolish rates and set up some other form of local taxation in their place would clearly be a major undertaking involving as it must not only the introduction of a new system of taxation but also the re-writing of all or most of the existing law on the financing of local authorities in England and Wales, and I imagine in Scotland and Northern Ireland as well.

3. A Bill of this size and complexity cannot be drafted in a few months. For such a Bill to be anything like ready for publication in the Autumn of 1982, drafting would have to begin not later than the beginning of March - which means that detailed policy decisions would have to be taken in time for drafting instructions to be prepared and delivered by the end of February. As the Green Paper has

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not yet appeared, it is pretty clear that, as regards the 1982-83 Session, the boat has already been missed.

4. Moreover since the present Parliament cannot continue beyond the Spring of 1984, it seems unlikely that a Bill of this size and difficulty could achieve Royal Assent in a Session beginning in the Autumn of 1983. If, however, that were the aim, the Bill would obviously need to be ready for introduction at the very beginning of the 1983-84 Session, in which case drafting ought to start as early as possible in 1983. And this in turn would mean devoting to it some of the drafting capacity that would otherwise be available for Bills in the 1982-83 Session.

5. I may add that the idea that major items of legislation such as this need to be planned for and got under way well before the Spring or Summer of the year in which they are to be introduced is not a new one. It has been urged on Ministers by successive First Parliamentary Counsel on various occasions over the past decade and more.

I am sending copies of this letter to D A Edmonds, Jim Nursaw and Robert Armstrong.

Yours sincerely

GEORGE ENGLE

7 DEC 1981

