

1. MR. TURNBULL *or 3/7*
2. PRIME MINISTER

#### REFORM OF RATES

To ease the problem over the size of a residence charge, the attached letter from Victor Rothschild suggests a supplementary tax on floor area of houses. Unlike the rates, this would not require revaluations. Lord Rothschild asks whether you think that this is worth pursuing. If the answer is "yes", he will pass it on to William Waldegrave.

I think that it is worth pursuing, but it would involve much more administration than Lord Rothschild's note suggests. If people's liability to tax depends on it, it could not be based on a simple "rough and ready" estimate by a surveyor. Surveyors would therefore have to measure the floor space with some care, though once done, changes would be relatively rare.

Agree that we should suggest to Lord Rothschild that he passes his idea on to Mr. Waldegrave so that the Department of the Environment can take account of it alongside the other work they are doing following the Chequers meeting?

*Yes - but it would have  
the adverse effect that any  
extension would need an increase  
in rates.*

*F.R.B.*

FERB

3 July, 1985.