

Personal



10 DOWNING STREET

Prime Minister

You wanted a personal  
copy of the attached.

FEB

15. 6.

## TAX TREATMENT OF MINISTERIAL RESIDENCES

### 1. Accommodation

1. Under the provisions of Section 33 of the Finance Act 1977, there is no liability to tax in respect of the provision of accommodation for an employee or office holder if either -
  - a. it is necessary for the performance of his **duties** that he should reside in the accommodation; or
  - b. the accommodation is provided to enable him to perform his duties better, and it has been the practice to provide accommodation for that particular class of employees or office holders to which he belongs; or
  - c. because of a special threat to the security of the employee or office holder, special security arrangements are in force and he resides in the accommodation as part of those arrangements.
2. The provision of accommodation for the Prime Minister at No.10 Downing Street, for the Chancellor of the Exchequer at No.11 Downing Street, for the Foreign Secretary at No.1 Carlton Gardens, for the Defence Secretary at Admiralty House and for the Lord Chancellor at the House of Lords, falls within category b. and no liability to tax therefore arises on the part of any holder of those offices in respect of that accommodation.
3. The provision of accommodation for other Ministers at Admiralty House would come within category c. so long as Ministers occupying that accommodation were subject to special security arrangements, and whilst that situation persisted there would be no liability to tax on their part in respect of that accommodation.

4. For various reasons occupation by Ministers of the following residences does not attract a charge under Section 33, Finance Act 1977: Chequers; Bute House, Edinburgh; Stormont, Belfast; Dorney Wood; Chevening House.

5. All other Ministers occupying Government accommodation would be liable to tax under Section 33, Finance Act 1977, on the annual value of the accommodation - and from 6 April 1984 on the "additional value" where appropriate (Section 21 of Finance Act 1983).

## II. Services

6. Where an office holder or employee earning £8,500 a year or more is provided with services (such as light, heat, maintenance, furniture and so on) in addition to accommodation those services give rise to a taxable benefit in kind. The tax charge in respect of services such as light, heat and maintenance is based on the actual cost of providing them. Where the benefit takes the form of items such as furniture and paintings, which remain the property of the person providing the benefit, the tax charge is based on 20% of their market value when they were first provided (10% if this was on or before 5 April 1980) (Section 63(5) of Finance Act 1976). The Property Services Agency will provide details of the actual cost of services provided, including the value of furniture and paintings, but any correspondence as to the amount taxable should be addressed to the Inspector of Taxes at Public Department 1.

7. However, where by virtue of Section 33(4) of Finance Act 1977 an office holder or employee is exempt from tax on the value of living accommodation, Section 63A of Finance Act 1976 provides that the amount taxable in respect of any services, etc., provided shall not exceed 10% of the emoluments of the

office or employment to which the benefits relate, less any payment he makes towards those services. Accordingly, Ministers occupying accommodation which is exempt by reason of Section 33(4) of Finance Act 1977 must pay tax on the services provided for their personal use in the private part of their residences, but the amount on which they are taxed will in no circumstances exceed 10% of their net ministerial salary, less any contribution they make towards the cost of those services. Where in any tax year the accommodation is not made available to the Minister for the complete year, ie where it is first made available or ceases altogether to be available at some time during that year, then the amount of his salary (for the purpose of the 10%) and the cost of services are adjusted as appropriate.

Example: A Minister (salary £20,000) is appointed on 6 April. On 5 July he takes up residence in an official flat and retains that flat until 5 April following. The charge under Section 63A is restricted to

$$\frac{9}{12} \times \frac{10}{100} \times £20,000 = £1,500$$

This limit would remain the same even if the Minister spent every weekend and the whole of each Parliamentary recess elsewhere.

8. All other Ministers occupying Government accommodation are taxable in respect of the services provided for their personal use on the actual cost of those services and the annual value of furniture, etc.

INLAND REVENUE

JUNE 1983

10 JUN 1983

GLOBAL  
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