



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

M Pattison Esq  
Prime Minister's Office  
10 Downing Street  
Whitehall  
London SW1

Prime Minister 2.

This letter promulgates  
the one change in  
Ministerial tax  
allowances which  
was recommended  
by the Chancellor.

26 August 1981

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Dear Mike

I am writing to you, and to all other Ministerial Private Secretaries to let you know of a change in Revenue practice regarding Ministerial tax allowances.

The Law Officers together with the Inland Revenue have recently examined the position, for tax purposes, of London accommodation expenses incurred by Ministers with provincial constituencies, which until now have been disallowed. After full consideration of the relevant statutory provisions and the authorities on the point, they have concluded that one change in Revenue practice would be appropriate, which may improve the position of some Ministers; but that otherwise, the Revenue's existing practice is the only one that would be supported by the Courts.

The change is that, as an alternative to claiming the additional cost of living in their constituencies, Ministers representing provincial constituencies with homes, including constituency residences, outside but within commuting distance of London, who also have accommodation close to Westminster which is used solely for Parliamentary duties, should now be allowed relief where hitherto they have been denied it. For this purpose the test that the Revenue will apply will be whether in fact a Minister does generally travel daily between that place and Whitehall to perform his Ministerial duties when Parliamentary business does not require his presence in town. If such a Minister occasionally uses his "Parliamentary" accommodation when he is in London on other, eg Ministerial, business such dual purpose use will be disregarded.

A revised print of the "Notes on Income Tax for Members of Parliament" issued by HM Inspector of Taxes, Public Departments (1), will be available by the time Parliament reassembles in October. A copy of the new paragraphs 6 (iii) - (v) to be substituted in the current print is attached as Annex A. In the meantime, you may wish to draw this new interpretation of the law to your Minister's attention.

Yours ever  
Louise Buning

PRIVATE SECRETARY



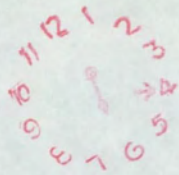
## NOTES ON INCOME TAX FOR MEMBERS OF PARLIAMENT

## NEW PARAGRAPHS 6 (iii) - (v)

Ministers

- (iii) A Minister by reason of his Ministerial office is regarded as having to live in or near London. Ordinarily, therefore, no part of the cost of living in London is admissible as a deduction, although a Minister with a constituency outside London may claim against his remuneration as a Member the additional cost of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties in the constituency.
- (iv) Where, however, the home or constituency residence of such a Minister is outside but within daily commuting distance of London and the Minister travels daily from that place to perform his Ministerial duties in London, he may alternatively claim to deduct from his remuneration as a Member the additional costs of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties at Westminster.
- (v) 'London' is taken to include a 20-mile radius of the Palace of Westminster and a place is taken to be within daily commuting distance if the Minister normally travels daily to perform his Ministerial duties, staying overnight in London only when his duties as a Member require it.

26 AUG 1981





Mr. P. ... / to see ...  
MAD  
Wm 2/12  
Pali members

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

30 November 1981

W Rickett Esq  
Private Secretary  
Prime Minister's Office  
No.10 Downing Street  
LONDON SW1

Dear Willie,

Since Louise Birnie wrote on 26 August to Tony Mayer and all other Ministerial Private Secretaries the Inland Revenue have been considering the exact wording of the text of the notes on income tax for Members of Parliament and have made some minor drafting changes to paragraphs 6 (iii)-(v). These do not affect the sense of those paragraphs or reflect any changes in the way the Revenue propose to operate the rules but do, it is hoped, bring out more clearly the point made in the third paragraph of Louise's letter that occasional use of "Parliamentary" accommodation for non-Parliamentary purposes will be disregarded. I attach the revised draft instructions. The revised wording is underlined.

...

I am copying this letter to all Ministerial Private Secretaries.

Yours,  
Jim

JILL RUTTER  
Private Secretary

NOTES ON INCOME TAX FOR MEMBERS OF PARLIAMENT

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- (iv) Where, however, the home or constituency residence of such a Minister is outside but within daily commuting distance of London and the Minister's normal practice is to travel daily from that place to perform his Ministerial duties in London, he may alternatively claim to deduct from his remuneration as a Member the additional costs of living which he has to incur wholly, exclusively and necessarily in carrying out his Parliamentary duties at Westminster.
- (v) 'London' is taken to include a 20-mile radius of the Palace of Westminster and a place is taken to be within daily commuting distance if the normal practice of the Minister is to stay in London only when his Parliamentary duties so require and otherwise to travel daily to perform his Ministerial duties.

22 DEC 1981

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CONFIDENTIAL



~~cc Miss Porter~~ (copy) Parliament members  
1. WFSR to see of R  
2. NA  
MAF 28/11

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

25 September 1981

T Lankester Esq.  
10 Downing Street  
LONDON  
SW1

Dear Tim,

TAX TREATMENT OF MINISTERIAL RESIDENCES

On 25 August 1977 Kingsley Jones sent you a note on the tax implications for Ministers of occupying Ministerial residences. The intention was that this could be made available as definitive guidance on the subject as and when questions arose.

.....  
The original note was prepared shortly after the law was changed in 1977 and since it was written a number of enquiries have been received and dealt with by the Inland Revenue. I now attach an updated version of the note prepared by the Inland Revenue at the request of the former Minister of State, Peter Rees, which incorporates a small amount of new material designed to clarify the position in relation to certain residences not mentioned in the original note, amplifies the statutory references and takes account of the increase in the earnings threshold from £7500 to £8500.

In the past we have found that when the Prime Minister has offered a Minister the use of Government accommodation, his Private Secretary has in the first instance sought guidance in the tax consequences from No. 10. We have therefore thought it desirable that the information in your hands should be as comprehensive as possible. Inland Revenue are of course available to deal with questions arising from the note.

Yours ever  
Peter

P.S. JENKINS  
Private Secretary

## TAX TREATMENT OF MINISTERIAL RESIDENCES

### I. 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. The former office of Commonwealth Secretary also fell within b. and the former Lord Privy Seal's (Sir Ian Gilmour) occupation of No. 1 Carlton Gardens was treated accordingly.

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.

## II. Services

6. An office holder or employee earning £8500 a year or more, who is provided with services (such as light, heat, maintenance, furniture and so on) in addition to accommodation, is taxed on the cost of such provision as a benefit in kind. Section 63A, Finance Act 1976 (inserted by Section 34, Finance Act 1977) provides that where by reason of Section 33(4) Finance Act 1977 he is exempt from tax on the accommodation, the amount taxable in respect of any services provided shall not exceed 10 per cent of the emoluments of the office or employment to which the benefits relate, less any payment he makes towards those services.

7. Ministers occupying accommodation which is exempt by reason of Section 33(4), Finance Act 1977, are therefore taxable in respect of 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 per cent of their Ministerial salary, less any contribution they make towards the cost of those services. The basis of liability is however the actual cost if this is less than 10 per cent of their salary. Where the accommodation is only available to the Minister for part of the year, then the amount of his salary (for the purpose of the 10 per cent) and the cost of services are adjusted as appropriate.

8. The Property Services Agency will provide details of the actual cost of services, but any correspondence as to the amount taxable should be carried on between the individual Minister (or his accountants) and the Inspector of Taxes.

28 SEP 1981

