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From the Private Secretary

5 September 1986

COMMUNITY CHARGE

You will wish to see the Prime Minister's comments about the Community Charge in Scotland made during an interview given yesterday on Scottish TV, and particularly her comments (page 34) about rebates from the Community Charge.

I am copying this letter and enclosure to Giles Denham (Department of Health and Social Security), Andy Rinning (Scottish Office), Jill Rutter (Chief Secretary's Office), Robin Young (Department of the Environment) and Brian Unwin (Cabinet Office).

(David Norgrove)

Miss Joan MacNaughton,
Lord President's Office.

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INTERVIEWER:

Prime Minister, I wonder if I could move on to another aspect which is of great importance. You touched on it yourself at the beginning of the interview, and that is the reform of the rating system, particularly the domestic rates, the community charge, the plan to replace the rates with this charge which would be levied flat rate in each council area on every adult.

There were reports this week that the Scottish Office had run into serious problems drafting this Bill. They have denied this, saying that it should get its Second Reading before Christmas.

First of all, is that Scottish Bill on target to pass into law this coming session?

PRIME MINISTER:

I believe it is. I was amazed to see that report, but there are many reports which I am amazed to see, and made enquiries and understand that they are right on target to

PRIME MINISTER (CONTD.):

produce it fairly early after the Queen's Speech, so we can get it through this Parliamentary Session.

That is our firm intention. This is very serious. It is our firm intention. We have to get it through Parliament. Do not cut out first my Cabinet and then Parliament. I do not govern by decree. We govern through a parliamentary system. I believe it will go through. We shall do everything possible to ensure that it does and the Party knows that it is a pledge as far as we are concerned.

INTERVIEWER:

But while the Scottish Office denies that there is a problem in presenting it possibly before Christmas, it is saying that there is a problem defining who lives where and therefore who goes on to the register and how the collection will be enforced. Now do you not admit that these are two very serious problems?

PRIME MINISTER:

Yes, of course. There is always a problem of how to enforce the payment of any tax, particularly for example, income tax. That too is a problem, but it does not mean that you do not levy income tax on each person and a community charge will be levied on each person.

Yes, there are problems. Mr. McKay, there are enormous problems leaving the system as it is, including gross unfairness,

PRIME MINISTER (CONTD.):

so it is not really a question of just saying: "Well because there are problems in a different course we must leave it as it is!" You have to choose between alternative courses and we think that the course we are going to is much fairer, much fairer, so we shall do everything we can to get it through.

You keep saying the Scottish Office denies it. I do not understand why you do not believe their denial. The Scottish Office says the Bill is on time and will be introduced fairly soon

INTERVIEWER:

I did not say I did not believe them. I wanted to know what your reaction was to the two problems which they themselves admitted.

PRIME MINISTER:

Yes, of course there are problems and doubtless there will be new problems that come up during the course of legislation. That after all is why we have a Committee Stage and a Report Stage and they have to go through their Lordships' House.

INTERVIEWER:

Mrs. Thatcher, the Tories have said they are going to be rid of rates for a long time now. They have been very consistent on this and to be absolutely fair, everyone in the United Kingdom

INTERVIEWER (CONTD.):

has been thinking about how can we get rid of the rates - there was the Committee Report in the 1970s looking at it and coming to no particular conclusion.

Is there not about this whole measure an air of panic, that there was the Party Conference last year in Perth when I heard from the gallery something we very rarely hear at a Tory Conference, hissing, and there was a gentle bit of booing, even of that amiable man George Younger as if he were some latter-day Sir Jasper as he attempted to appease people about the prospect of rating reform in the wake of that revaluation to which you referred?

Is it not just a panic measure?

PRIME MINISTER:

But if we have been thinking about it for a long time, it cannot be a panic measure. By definition, it must have been thought over and digested for a very long time. Indeed it has.

There are a number of possible courses of action. Because we could not agree on which particular course of action before the last election, we went for rate capping. Now, in many cases that has worked well. In Scotland, as I indicated, they have a special revaluation in law. That caused immense problems, but you cannot say we have been thinking about it for a long time and then it is panic. Very very far from that

INTERVIEWER:

You could have changed the law.

PRIME MINISTER:

We are now going to change the law. First in Scotland, because it is more urgent there, and then in England. We believe now that we have got a much fairer system. Incidentally, there will of course be rebates from the Community Charge, as you know.

INTERVIEWER:

But you will be wanting 20%, will you not, from everyone, whether or not they were previously fully rebated?

PRIME MINISTER:

That is right, but that also will apply to rates as well. As you know, that is going through now in legislation this year: that everyone should pay some rates and not go lower than 20%. That is on rates. It will of course go through to the Community Charge, so you get up to 30% rebate.