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cc/BG
cc/RZ.



- 1. ~~NW~~ to see.
- 2. Prime Minister
This all seems sensible on the face of it. Content, subject to colleagues?

Prime Minister

RATE REFORM: CROWN PROPERTY

My officials have been discussing with those from other Departments the treatment of Crown property, and the residents of Crown property, under the new system of local government finance. DWR
30/7.

I am now able to circulate the attached paper setting out my proposals for England and Wales. I should be grateful for your, and Colleagues' approval, and my officials will instruct the draftsman of the rate reform Bill accordingly. Yes

Copies go to the Lord President, members of E(LF) and Sir Robert Armstrong.

NR
30 July 1987

RATE REFORM: CROWN PROPERTY AND RESIDENTS OF CROWN PROPERTY

NON-DOMESTIC CROWN PROPERTY

1. The Rating of Government Property Department (RGPD) will continue to carry out valuations of non-domestic Crown property and pay contributions in lieu of non-domestic rates. It is proposed that RGPD should cease to make payments to individual local authorities and instead make payments directly into the national non-domestic rate pool. It would not be sensible for RGPD to make payments to authorities when, in any case, the authorities would be required to pass the money on to the pool. An acceptable system of checking that appropriate payments have been made will need to be devised; and it will be necessary to devise an alternative to the present arrangement whereby local authorities notify RGPD of the properties in respect of which payments are to be made.
2. The NHS and other non-Exchequer bodies which occupy Crown property currently pay their own contributions in lieu direct to local authorities. There seems no reason why NHS should not in future make payments direct into the national pool, although it is for consideration whether the other, smaller bodies should continue to make payments to individual local authorities.

RESIDENTIAL CROWN PROPERTY

The Community Charge

3. The community charge will be a near-universal personal liability, unconnected with the ownership of property, and it is important that, unless there are over-riding arguments to the contrary, residents of Crown property should be treated no differently from the residents of non-Crown property. ✓
4. It is proposed that, with limited exceptions, residents of Crown property should be individually registered and personally liable for the personal community charge. The exceptions will be for the Sovereign and the Prince of Wales (as Duke of Cornwall), who will be exempt, and for diplomats, members of visiting armed forces and certain members of the UK armed forces. The special arrangements for diplomats and visiting servicemen are described in Annex A to this paper, and those for certain UK servicemen in Annex B.
5. Exemptions have been agreed for certain other residents of Crown property - convicted prisoners and patients resident in NHS hospitals or other caring institutions run by the Crown.
6. The normal community charge enforcement procedures - seizure of goods and deductions from earnings - will apply to those residents of Crown property who are liable for the personal community charge. This means that bailiffs will have access to Crown property to seize the personal property of residents who do not pay their community charge.

including
No 10!

The collective community charge

7. For certain non-Crown properties, which are in multiple occupation and have a very rapid turnover of tenants, it would be impractical to register the tenants individually for the personal community charge. These properties will therefore be designated, by community charge registration officers, for the collective community charge. There are some Crown properties - particularly those occupied by very mobile service personnel - where a provision similar to the collective community charge might be appropriate. It would not, however, be appropriate for the collective charge to be applied in precisely the same way as for non-Crown property, because of the risk of disputes between the Crown and

local authorities: the Crown would not, for example, wish to become involved in disputes with local authorities about the designation of premises or payments due, or to be proceeded against by local authorities seeking to enforce payment.

8. A special provision, effectively equivalent to a Crown collective community charge, is therefore proposed. This is described in Annex B to this paper - which deals with the treatment of UK servicemen - since the provision is likely to be used mainly for certain military establishments.

The Standard Community Charge

9. It is proposed that Crown property should be exempt from the standard community charge - the charge for residential property at which no-one is solely or mainly resident. Contributions in lieu of the standard community charge will be paid to local authorities by the occupying Departments. This procedure would be consistent with the present arrangements for paying contributions in lieu of rates on Crown property.

MIXED NON-DOMESTIC/RESIDENTIAL CROWN PROPERTY

10. Mixed hereditaments - those which are part non-domestic and part residential - will be valued by RGPD and an apportionment will be made of the value of the residential part. A contribution in lieu of rates will then be paid by RGPD in respect of the non-domestic part, while the resident(s) of the residential part will pay the personal community charge - or, if the residential part is not occupied as a sole or main residence, a contribution in lieu of the standard community charge will be paid.

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10. Mixed hereditaments - those which are part non-domestic and part residential - will be valued by RGPLD and an apportionment will be made of the value of the residential part. A contribution in lieu of rates will then be paid by RGPLD in respect of the non-domestic part, while the resident(s) of the residential part will pay the personal community charge - or, if the residential part is not occupied as a sole or main residence, a contribution in lieu of the standard community charge will be paid.

DIPLOMATS AND MEMBERS OF VISITING ARMED FORCES

A1. Foreign nationals who have their sole or main residence in this country will be liable to pay the community charge. However, diplomats are exempt from personal taxation under a range of statutes including the Diplomatic Privileges Act 1964, the Consular Regulations Act 1968, the International Organisations Act 1968 and the European Communities Act 1972. Members of visiting forces are exempt from any tax based on residence, under a Nato Status of Forces Agreement.

A2. In view of these statutes and agreements it is proposed that there should be a community charge exemption for diplomats, members of visiting forces and their dependants. It is not proposed, however, that they should be exempt from the standard community charge if they take second homes (eg if a US serviceman buys a holiday cottage).

A3. At present embassies, diplomats, foreign bases and servicemen do pay partial rates - the so-called "beneficial proportion" - in respect of both domestic and non-domestic property. It is important that the total amount paid is not reduced as a result of the proposed exemptions, and that foreign Governments are seen to be making at least the same contribution as at present towards the cost of local services.

A4. In the case of non-domestic property, it is proposed that the present arrangements should continue: RGPD will continue to pay rates/ contributions in lieu of rates on behalf of the Governments concerned and will continue to recover the "beneficial proportion". As with all other payments by RGPD, they will in future be made directly into the NNDR pool, rather than to individual local authorities.

A5. In the case of residential property, it is proposed that Treasury and the Foreign Office/Ministry of Defence should negotiate, with the Governments concerned, arrangements for the recovery of an amount equivalent to that currently recovered as the "beneficial proportion" of rates. This would most conveniently be paid to local authorities as an addition to central Government grant.

A6. In order to protect the position of local authorities with heavy concentrations of diplomats or visiting servicemen, there will need to be compensation for the income foregone as a result of exempting diplomats and visiting servicemen from the personal community charge. It is proposed that this should be done by excluding diplomats and visiting servicemen from the definition of "adult residents" used for grant purposes.

MEMBERS OF UNITED KINGDOM ARMED FORCES

B1. Most service personnel will be liable for the community charge, in the same way as all other adults: they will be registered for and pay the personal community charge in the area where they have their sole or main residence. It may, however, be impractical to register individually the most mobile service personnel - eg those resident for short-periods during training in a succession of different barracks. It may also be undesirable, for security reasons, for the number and names of the personnel at a particular address to be included in the community charge register which will be, in part, a public document.

B2. The problem of mobility may also arise in respect of some civilian residents of Crown property. In similar circumstances involving non-Crown property, designation for the collective community charge might be appropriate. It would not, however, be appropriate for Crown property to be designated for the collective community charge (for the reasons set out in paragraph 6 of the main paper).

B3. It is therefore proposed that the Secretary of State should have the power to designate Crown premises, if they are mainly used as a residence by individuals, most or all of whom are there for only short periods; or if it would be undesirable for them to be registered for the personal community charge, on national security grounds.

B4. The effect of designation by the Secretary of State would be that any individual solely or mainly resident in the designated premises would be exempt from the personal community charge. The occupying Department would pay contributions in lieu of community charges to the local authority in whose area the premises were located, and would recover the money from the individuals who stay in the premises.

B5. It will be important that the occupying Department should consult closely with the local authority concerned, when deciding whether or not to designate premises, and when assessing the level of the contribution in lieu.