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PRIME MINISTER

It is worth being aware of the attached note which sets out some of the arguments against the 'banded' approach to the community charge now favoured by the Conservative rebels - Messrs. Young, Squire and co.

It is very difficult to get a grip on the impact of a banded community charge without knowing where the bands will fall. But the note makes clear that it would have the following defects:

- it would be paid by far fewer than the community charge, and fatally compromise the Government strategy of increasing accountability;
- it would hit middle income groups very hard - eg. those on incomes between £11,500 and £14,500 would be worse off than under the community charge - there would be major administrative problems, since it would combine the bureaucracy required for a local income tax and the community charge together;
- it would create a series of poverty traps.

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SLHAQM