

Conservative Research Department Brief

A THREE TIERED COMMUNITY CHARGE

Prepared For:
Consideration of the Local Government Finance Bill
- new clause one

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Introduction

A proposal for a three tiered Community Charge has been put forward. Under this :

- * those below the income tax threshold would pay only 50 per cent of the Charge;
- * those paying income tax at the basic rate would pay 100 per cent of the Charge;
- * those paying income tax at the higher rate would pay 150 per cent of the Charge.

Key Disadvantages

The key disadvantages of the scheme are :

- creation of an earnings trap for those on the threshold of beginning to pay income tax and those at the threshold between the basic and higher rates - at these points an extra £1 of income could produce major increases in Community Charge, of up to an extra £800 for those on the higher rates;
- enormous complexity in implementation - since the self-assessment system (included in the scheme) is a bizarre innovation to introduce into Britain's taxation system for the first time as a side effect of the local government finance system;
- it would undermine the separate taxation of married women only just achieved in the Budget, since the Community Charge liability of one spouse would be dependent on the income of the other;
- ineffectiveness in aiding the less well-off since under the existing Government's scheme those on low incomes would receive rebates of up to 80 per cent not the 50 per cent reduction proposed in the scheme;
- major penalties for higher rate taxpayers - of up to £400 for a single person or £800 for a married couple - for little gain to others since the 150 per cent surcharge on these people would reduce the Community Charge paid by basic rate taxpayers by only about £5.

LOCAL GOVERNMENT FINANCE BILL - REPORT STAGE

Briefing on New Clause 1 tabled by Michael Mates MP and others

The proposed variant of a community charge set out in New Clause 1 is - it is assumed - based on proposals set out by Michael Mates MP in an article in The Sunday Times in January. Mr Mates was told by Mr Nicholas Ridley why he found the idea unacceptable and this brief contains the information set out in a briefing note sent to Mr Mates, updated to take account of income tax changes announced in the Chancellor's Budget. The main points are

a) The proposal achieves very little in practice. It is ostensibly designed to make the community charge "fairer" but in fact:

- It does not offer significant new help for those on low incomes. All those on income support will receive the maximum rebate of 80% of the community charge and will receive help with the remaining remaining 20%. The vast majority of people on rate rebates will receive rebates above 50% - so very few would be better off as a result of the proposal for a half charge for non-taxpayers.
- For those above rebate level it would reduce the standard community charge by only about £5 per annum. But that takes no account of the need to pay for the extra administrative costs.
- The higher 1½ unit rate for higher rate taxpayers would do little to satisfy those who want a graduated system to hit the rich. It would create an enterprise trap for those crossing the threshold to the higher rate. In the highest spending areas, for example, the total bill could be £1,200 for a single person or £2,400 for a couple. It would give rise to anomalies especially in the treatment of married couples. Hitting the better off for no practical gain is hardly in line with the Government's general taxation policies.

Nor is it in line with the policies set out in the Chancellor's Budget to have a tax on marriage.

b) It would be far more costly and complex to administer, combining as it does a community charge with a tax based on assessed income. Establishing an individuals liability to pay a particular rate could be a process that dragged on after the end of the year in which the tax was levied. Mr Mates' scheme suggested that liability should be established by self-assessment. This would be an entirely new concept to UK personal taxation. It would seem odd to introduce this change into tax law merely as a side effect of a change to the local government finance system - especially one which achieves so little in practice. Self-assessment could not avoid the need for local authorities to be able to verify information with the Inland Revenue.

Finally the scheme destroys the principle that a local tax should be a flat-rate payment for services. While it does that, because it achieves so little, it is unlikely to satisfy those who wish to see the principle of progressive taxation implemented with a local income tax. It should be remembered that the community charge raises about one $\frac{1}{4}$ of total local authority spending. About $\frac{1}{2}$ will come from the national taxpayer - progressively taxed. This is the way in which higher rate taxpayers properly contribute more than those who are less well off.

Detailed comments on New Clause 1 scheme

1. The proposal envisages three levels of community charge:

(i) the full charge payable by all those liable for income tax at the basic rate;

(ii) a higher charge, of $1\frac{1}{2}$ times the full charge, for taxpayers paying income tax at above the basic rate;

(iii) a lower charge, of $\frac{1}{2}$ the full charge, for non-taxpayers.

It is assumed that the details of the scheme follow those set out by Michael Mates MP in an article in The Sunday Times in January.

Operation of the system

2. The system would build on the provisions of the Local Government Finance Bill, under which the "responsible individual" at each address will supply the names of all the adults living there, and the local authority will then notify each person that his or her name has been put on the community charges register.

3. On receiving that notification, this scheme would require each adult to say whether they were

- a) a higher rate taxpayer;
- b) a basic rate taxpayer; or
- c) a non-taxpayer.

4. Where a "responsible individual" fails to respond to a canvass there are already provisions for chasing non-respondents, imposing financial penalties and providing grounds for appeal. These would be extended, under the scheme, to provide redress against individuals who refused to divulge which of the groups at paragraph 3 above they fell into; or who were found not to be telling the truth. There would also need to be a new power to check cases with the Inland Revenue.

5. The process of requiring individuals to say which income tax category they were in would then be carried out annually for all those on the community charges register. In each case, the question would need to relate to a previous financial year. This would cause difficulties when earnings changed considerably.

- It would be up to 2 years before a move into a higher tax bracket was reflected in liability to pay the higher community charge.

- In the same way, a person whose earnings fell might be required to pay the higher charge for 2 years after his circumstances altered.

The latter makes it appear inevitable that there would have to be a special provision for later information to be used in determining liability in some cases.

6. Self-assessment would be a new concept in personal taxation in this country. It must be questionable whether it would be sensible or practical to introduce it for the community charge in isolation. And, even if such an approach were adopted, there would still need to be contact with the Revenue for verification.

7. A question directed to individuals based on liability to income tax would not necessarily be a straightforward one for people to answer. Those with incomes fairly close to the levels at which higher rate taxation begins are not automatically told by the Revenue whether they paid some tax at the higher rate: to work it out they would either have to do a complicated sum themselves, taking account of their allowances, or the Revenue would need to institute a system of automatic notification of higher-rate taxpayers.

8. All this suggests that it would be more straightforward to implement a scheme where the Revenue provided the information. Even this would not solve all the problems, however. In particular, it may take some years for an agreement to be reached between individual taxpayers and the Revenue about amounts to be allowed against tax. While such disputes are being resolved, even the Revenue will not be able to say conclusively in all cases whether an individual is liable for higher-rate tax. There might also be difficulty in ensuring that the Revenue and the local authority knew they were talking about the same person: the address that a taxpayer gives the Revenue for the purposes of correspondence about income tax will not necessarily be the address at which he or she is registered for the community charge.

9. There is also an inherent disadvantage in linking the basis of liability for the community charge with the rules governing another tax system. Income tax thresholds and allowances are normally changed each year. These changes would produce unpredictable and unintended effects on liability for the

community charge. Periodically, more fundamental changes are made to the income tax system, which could have an even more dramatic effect (see paragraph 11 (iii) below, for example).

Treatment of married and unmarried couples

10. The proposal envisage that non-earning spouses would pay the same level of community charge as their partners. This is to avoid a situation where a non-earning wife whose husband had a very large income would be required to pay only the reduced level of community charge.

11. There are however several problems with this approach.

(i) Changes in income tax arrangements. The Chancellor announced in his 1988 Budget a system of independent taxation of husbands and wives, beginning in 1990. This scheme, in contrast, means that the community charge liability of one spouse is dependant on the income of the other. It involves, for example, treating a wife, who is a basic rate taxpayer and who automatically will be separately assessed for income tax, at the same community charge level as her husband if he is a higher rate taxpayer. This is technically possible, but presentationally difficult given the acceptance in the income tax system of the case for independent taxation of married women.

(ii) Unmarried couples. The income tax system treats married couples differently from unmarried couples. This scheme follows that precedent. In the case of couples with one earner, however, the result would be to give a financial advantage to unmarried couples. A non-earning married spouse would be liable for the full community charge if the partner were a taxpayer; but if the couple were not married, only $\frac{1}{2}$ a unit of community charge would be payable. If the partner was a higher-rate taxpayer, the difference would be $1\frac{1}{2}$ units of community charge to $\frac{1}{2}$. This means that there would be a financial benefit from choosing cohabitation rather than

marriage. The amounts at stake could be significant for couples with one, low-paid earner.

(iii) Anomalies. Even if married and unmarried couples were treated equally, there would still be cases where couples with two incomes would pay less in community charges than couples with one earner and a lower income. For example, a couple where one spouse earned £30,000 and the other did not work would pay 3 units of community charge. If both partners earned £20,000, the combined liability of the couple would be only 2 units of charge, despite the fact that their combined earnings were £40,000.

Reduction for non-taxpayers

12. The New Clause 1 scheme envisages according to Mr Mates that the proposal for an automatic reduction in the community charge payable by non-taxpayers would exist alongside the rebate system.

13. The system envisaged in the Bill means that local authorities would consider for rebates those on low incomes - either passported, as a result of notification from DHSS that the individuals concerned were receiving income support, or as a result of separate application for rebates made direct to the local authority by individuals with incomes above the income support level. The scheme would mean that non-taxpayers would also be assessed, through a separate route (either on the basis of their own returns or information from the Revenue) to the 50% band.

14. A dual scheme of this kind would inevitably increase administrative costs. But, on the basis of the 1988/89 rebate arrangements, it would benefit only a relatively small number of adults, most of whom would already have been receiving rebates, but of less than 50%.

15. Under the Government's proposals the majority of non-taxpayers would receive a rebate in excess of 50%. This is because, for most people, the income support level is close to the income tax threshold; those entitled to less than a 50% rebate

will therefore be paying income tax and would not benefit from the scheme.

16. Non-taxpayers likely, on the basis of the 1988/89 rebate system, to receive rebates of less than 50% would be better off under the New Clause 1 scheme than under the scheme envisaged in the Bill. These fall largely into two groups. The first is those who have high tax allowances, taking their incomes above the income support level. This will include pensioners with a small occupational pension. The second group is those who receive benefits which are classified as net income, and hence reduce housing benefit entitlements, but which are not taxable. This includes such groups as unemployed people receiving a disability pension or families in receipt of family credit.

17. Where people were liable to pay the 50% rate, but were not eligible for a rebate, there would be a 'step' effect if they moved into income tax. An increase in income of a few pounds could increase their community charge liability by £200 for a couple, or significantly more in some areas.

Surcharge for higher rate taxpayers

18. The proposal is for a 50% surcharge on higher-rate taxpayers - ie single people with minimum gross incomes in 1987/88 of £20,325 and married couples (with one earner) with minimum gross incomes of £21,695. There are only about 1.2 million tax units paying higher rate taxes - perhaps 2 million individuals paying the increased community charge if it were levied on spouses as well as higher rate tax payers themselves.

19. On this basis, a surcharge might raise an extra £200 million in income each year, producing a saving of around £5 in the community charges paid by basic rate taxpayers. (This assumes that the 50% band has no cost. Any cost that did feed through would mean a smaller reduction for basic rate taxpayers.)

20. A 50% surcharge would mean higher-rate taxpayers, on average, paying around £330 in community charges, compared with £220 for basic rate taxpayers. Such a step would penalise those whose incomes brought them just within higher rate taxes. The size of

the step would be larger in higher spending areas - approaching £400 in Camden on existing spending levels - and for married couples, where it would be doubled in size. This means that an increased income of £1, taking the taxpayer into the higher rate, could lead to an increased community charge payment of up to £800.

21. A flat-rate supplement of this size does not raise sufficient revenue to make a significant impact on the charges paid by others. It would, of course, be possible to increase the surcharge. But that would make the "step" worse and would mean that the higher level of charge bore much more harshly on those with incomes just above the level at which higher rates of taxes become payable than on the very rich. Devising a scheme that distinguished someone earning £25,000 from someone earning £250,000 would involve introducing further bands, and begin to make the scheme much more like a Local Income Tax.

Equalisation

22. The Inland Revenue does not have accurate information, down to district council level, of the numbers of higher rate taxpayers, basic rate taxpayers and non-taxpayers. Information at regional level, however, suggests that there will be considerable variations between local authorities. An area with a much larger than average proportion of higher rate taxpayers would gain a financial advantage from the scheme unless the Government were to equalise for variations in taxable capacity by means of a new grant, not envisaged under the community charge at present.

Amendments to the Local Government Finance Bill

23. The Local Government Finance Bill would need substantial amendment to take the proposal on board. There would need to be provisions for each of the following

- (i) the supply of information about income, including rules about the community charge treatment of couples;

(ii) additional powers for financial penalties and appeals against individuals failing to declare their income band, and provision for checking a sample of responses with the Revenue;

(iii) provisions allowing the higher amount of community charge to be waived if an individual's circumstances changed significantly;

(iv) provisions setting out the relationship between the 50% band and eligibility for rebates;

(v) the rules for determining the size of the community charge in each area would have to be altered - it would no longer be a uniform amount across each local authority; the Government would need to set the relationship between the bands.

Conservative Research Department Brief

THE LOCAL GOVERNMENT FINANCE BILL

Prepared For:

the information of Members of Parliament

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LOCAL GOVERNMENT FINANCE BILL - SUMMARY

1. Domestic Rates

- Anachronistic - a property tax when most local services are now directed to people.
- Lack of Accountability - nearly half of all local voters do not pay them.
- Unfair - a poor widow pays the same as four adults, poor people in areas of high rateable value subsidise rich people in areas of low rateable value.
- Highly Complex - people do not understand rates, let alone the rate support grant system. People do not necessarily pay the same for the same local services; the amount they pay may vary according to where they live.
- Disruptive Revaluation - would be necessary if rates stayed; small terraced houses in the North could be amongst those worse off as a result.

2. Community Charge

Its key advantages are :

- Accountability - nearly all local voters will pay something towards the cost of local government.
- Simplicity - a standard level of services would cost the same in every council in England - so people will only pay more if their council spends more.
- Fairness - no-one will pay more than someone who is better off than they are in the same local authority area.
- Ready Reckoner - every Community Charge bill will include the standard level of Charge for which every local authority in the country could provide a standard level of service. So voters will be able to compare this to the actual Charge levied by their local authority, and so assess its degree of efficiency.

3. Rebates

There will be rebates of 80 per cent for those on Income Support and for those whose sole income is the state retirement pension. Income Support will be uprated to cover the national average of 20 per cent of the Community Charge. Rebates will diminish as incomes rise above these levels until the full Community Charge is payable.

4. Gainers

Those who will gain when the Community Charge is fully in force include :

- 53 per cent of all households in England;
- the poorest households (those with net incomes of less than £150 per week) on average;
- over 80 per cent of single pensioners living alone;
- three quarters of single adult households other than single pensioners including nearly nine in ten one-parent family households;
- 62 per cent of households in East Anglia;
- 71 per cent of households in the South East;
- over two thirds of households in the West Midlands.

Of those households who will lose, 56% will lose less than £2 per week, including nearly 38% who will lose less than £1 per week. And more people would gain if every council spent according to government guidelines.

5. Fairness

Because of rebates, the top ten per cent of households by income will pay six times as much in Community Charge as the bottom ten per cent.

Since Community Charge will pay for only about a quarter of local government spending, with around half coming from central government grant and the other quarter from businesses, the top ten per cent of households by income will pay around fifteen times as much towards the total cost of local services as the bottom ten per cent - even after the Budget tax cuts.

6. Practicality

The Community Charge registers will, consist essentially of a list of names and addresses of those over the age of 18. The Community Charge Registration Officer will have access to council records and to the electoral roll and will conduct canvasses and send out forms, in order to ensure the accuracy of the register. The cost of collecting the Community Charge will be approximately twice that of collecting domestic rates. Since roughly twice as many people will pay, the cost per person liable will therefore be the same. The arrangements will involve far less complexity than would those involved in implementing some of the proposed alternatives, such as a Local Income Tax or a banded variant of the Charge.

7. National Non Domestic Rate

- a national rate poundage so that local authorities can increase spending only by charging their voters more, not by increasing the burden on businesses who have no vote;
- the same total revenue will be raised from businesses in the first year of the new system as in the last year of the old system;
- increases in the poundage will thereafter be limited to no more than the rate of inflation, enabling businesses to plan ahead with confidence;
- under revaluation - now essential since the last one was in 1973 - what matters to an individual firm is not the increase in its rateable value but how it has changed relative to the average for all firms;
- transitional arrangements will put a ceiling on the maximum amount any property's rates can increase in any one year because of the effects of revaluation and NNDR combined. This ceiling will last for up to five years until the next revaluation;
- the Government may consider a longer transitional period if the results of revaluation justify it and is considering imposing a lower maximum percentage increase for small businesses.

8. The New Grant System

- will provide grants to local authorities on the basis of their assessed needs, not their past spending;
- will make clear to councils earlier in the financial year than at present how much Government grant they will receive;
- Community Charge bills will show exactly how much Government grant and business rate income goes towards the provision of local services in a given area, as well as showing the financial demands of each tier of local government.

9. The Safety Net

Under the present system, government grant redistributes between areas of high and low rateable value. There is no logic for this since there is a poor correlation between rateable values and income levels. This system will not be necessary with the introduction of the Community Charge. However, to abolish it completely in one year would have unjustifiably disruptive effects, so the system will be phased out over a period of four years from 1990/1.

The burden placed upon Community Charge payers who are net contributors under these safety net arrangements will be limited to a maximum of £75 per adult in the first year.

So the Government is phasing out a long-standing and unfair burden which will be completely removed within four years of the introduction of the new system.

10. Exemptions and Special Terms

The following groups will be exempt from the Community Charge, which will otherwise be paid by all those aged 18 and over:

- the severely mentally handicapped;
- long stay hospital patients;
- those cared for in a residential home;
- foreign diplomats;
- members of a visiting force;
- prisoners;
- school pupils over the age of 18;

Students will be liable for only 20 per cent of the Community Charge at their term time address.

The following categories of building will be exempt in whole or in part from non domestic rating :

- churches (completely exempt);
- other church buildings and charitable property (automatic 50 per cent derating, with an option for local authorities to increase this to 100 per cent);
- agricultural land and buildings (including fish farms);
- lighthouses owned by Trinity House;
- sewers;
- local authority parks;
- property used for the disabled;
- property in enterprise zones.

11. Alterations during Committee Stage

The main alterations announced by the Government during the Committee Stage of consideration of the Local Government Finance Bill have been :

- consideration of making a distinction between large and small businesses for the transitional arrangements regarding the National Non Domestic Rate. A limit will be set on the losses faced by individual properties under the NNDR, paid for mainly by a cap on gains. An amendment will be brought forward to allow for phasing of the 1995 revaluation and outstanding changes from 1990, if this proves necessary;
- caravan sites remaining subject to non domestic rating, so that caravan owners will not be subject to the standard Community Charge;
- consideration of the extension of the exemption for the severely mentally handicapped to include those handicapped in later life;

- consideration of the exemption of monks and nuns from the Community Charge;
- joint and several liability for couples not to extend to joint liability for the collective Community Charge;
- announcement that amendments will be brought forward to reinstate the existing situation on charitable and discretionary relief under the 1967 Rates Act; and
- regulations to be made to provide that half the cost of charitable and discretionary relief can be offset against payments into the National Non Domestic Rates pool.

12. What's wrong with the Alternatives ?

Local Income Tax

Would drive wealth creators out of the inner cities, would create 400 Chancellors of the Exchequer, would be very complex to implement, would hit nurses, teachers, and policemen and would still leave millions paying nothing in local bills for local services. A complex system of income equalisation would be needed.

Banded Community Charge

All the above plus enterprise traps - £1 extra of income could mean £1,000 extra in Charge.

Capital Value Rating

All the disadvantages of rates, plus disruptive increases of over 50 per cent for almost two and a half million households, and an even more unfair system of rate equalisation.

Site Value Rating

Would penalise people for the accident of living in a prosperous area, even if their own property is not especially valuable.

Funding more services centrally

If central government controls exactly how its money is spent, this would end democratic local government; if local authorities are allowed to add to the funding it is no different from revenue support grant which almost exactly funds education today.

THE LOCAL GOVERNMENT FINANCE BILL

A. THE CASE FOR ABOLISHING DOMESTIC RATES

An Anachronism

The domestic rating system, which is now nearly 400 years old, is an anachronistic throwback to a time when the franchise was restricted to property owners and when local businesses had a separate vote.

At a time when most local services were property services - eg. roads, gas, water, drains, etc - a property tax such as domestic rates made sense.

But today most local services are for people - education, housing, libraries, personal social services and so on. Everyone over the age of 18 has a vote, and businesses no longer have separate representation. So, as the Secretary of State for the Environment Mr Nicholas Ridley has said, 'It must be right for all the people to pay a charge for local services, just as all the people can vote for them' (Buxton, 19th March 1988).

A Basically Unfair System

Domestic rates are levied on households, irrespective of the number of people within them. So a widow can pay as much or more as an entire family of four adults living next door.

Furthermore, under domestic rates Government grant has to redistribute between areas of high and low rateable value. That means poor people in 'richer' areas have to subsidise rich people in 'poorer' areas.

So a ratepayer in Luton (an area with a high rateable value) has to pay over 50 per cent more in rates than his counterpart in Carlisle (a low rateable value area) - even though Carlisle is the higher spending area.

There is a wide discrepancy in average domestic rate bills between areas, and even within areas:

- in Cambridge the average rate bill for a terraced house is £387, but £647 for a 2 bedroom flat;
- in nearby Harlow the figures are £416 and £921.

Furthermore, rateable values of properties bear little relation to the incomes of the households which live in them. Thus, 41 per cent of households living in homes with above average rateable values have below average incomes, while 40 per cent of those with above average incomes live in homes with below average rateable values.

All this is clearly unfair.

Too Complex

The present rating system is too complicated for most people to fully understand. It does not help that the basis of the system is the notional rental value of a property in 1973, especially since the private rented housing market now barely exists as a point of comparison.

Rates do not provide any yard-stick to voters with which to analyse the performance of their local authorities. And fluctuations in rates often do not in practice match changes in the spending of the local authority.

As Mr Ridley has commented :

'It is a system which has developed a Byzantine complexity of its own. Instead of admitting that the rating system was no longer appropriate for local government in the late 20th Century, successive Governments have tried to patch it up with a sort of Heath Robinson machinery of rusty nails and sticking plaster. All we have succeeded in doing is to make it more unfair, more unworkable and more inscrutable' (Buxton, 19th March 1988).

Revaluation

If the domestic rating system were to be retained, the present valuations, based on assessments made in 1973, would no longer be sustainable. A full revaluation would be needed.

The recent revaluation in Scotland - after five years not fifteen - shows how devastating the effects could be. In one case - that of an ordinary house - the rateable value increased from £171 to £726. In another case the increase was from £184 to £706. In a third case - a modest flat - the rateable value increased from £405 to £1,289.

An independent survey suggests that amongst those to lose out from a domestic rating revaluation would be those living in small terraced houses in the North of England.

Encouraging Extremism

One of the major flaws with the current rating system is that, by failing to make local councils adequately accountable to their local electorates, it encourages extremism in local government. Of the 35 million local voters in England 17 million are not liable for rates and 6 million pay less than full rates. So nearly half of all local voters pay nothing at all in local bills for local services.

The rating system thus produces a dangerous combination at local elections - some voters are rendered apathetic by the complexity of the whole process while others can be encouraged by the profligate to vote for them, safe in the knowledge that they will not have to contribute towards the final bill.

The results produced by the current rating system can be seen in the extremism, bad management and waste of many councils today.

As the Local Government Minister, Mr Michael Howard, has said of the current rating system :

'It isn't only that it's unfair, although it certainly is. It isn't only that it has destroyed the accountability of local government to local people, although it has. It is that that unfairness and lack of accountability are poisoning local government in many parts of the country. That is why left wing local authorities can spend irresponsibly. That is why left wing local authorities can waste irresponsibly. The present system spawns irresponsibility ... That is why nothing less than root and branch reform of the system is necessary' (Eastbourne, 14th February 1988).

No Friends Left

The domestic rate system is now wholly discredited. Even Opposition politicians have finally come to recognise this.

Labour's Shadow Environment Secretary, Dr Jack Cunningham has said, 'I'm not suggesting that the rates are as they are at present are acceptable. They do need radical reform' (Newsnight, 21st May 1987). The 'Alliance' manifesto at the last General Election stated 'Britain needs a fair system of local finance which rates no longer provide' (Britain United, May/June 1987).

As Mr Howard has put it :

'People have become fed up with the present rating system, and I do not believe they are prepared any longer to put up with it' (Redhill, 7th September 1987).

B. THE COMMUNITY CHARGE

The Community Charge

There will be three types of Community Charge :

- the personal Community Charge, levied on all adults over the age of 18 - with certain exemptions (p.12);
- the collective Community Charge, levied on houses of multiple occupation such as hostels with highly mobile residents and paid by the landlord who collects the money back from the residents (p.14).
- the standard Community Charge, levied on the owners of second homes (p.14).

The Community Charge will replace the domestic rating system and will fund, as domestic rates do now, approximately one quarter of local government spending. Businesses will continue to fund roughly a quarter as well, and government will still pay through grant for about half.

Accountability

The personal Community Charge will be a flat rate charge for local services levied on all adults over the age of 18, with certain small groups exempted (see p 12). Each local authority will be able to set the level of Charge for its own area.

Government grants will be calculated so that every local authority in England could provide a standard level of services for a standard level of Charge. In 1987/8 this standard level of Charge would have been £178.

Since the level of business rates will in future be set nationally rather than locally, local authorities will only be able to increase spending by increasing the Community Charge. A £1 increase in spending for every adult in the local authority area will produce a £1 increase in the Community Charge. Conversely, an efficient council which is able to cut spending will see this reduction feed straight through into a lower level of Community Charge.

Every Community Charge bill will include on it the figure for the standard level of Charge for which every local council could provide a standard level of services. Voters will be able to compare this with the actual level of Charge their local authorities are demanding.

High and low spending councils will be instantly identified as such. Every local voter will pay more for the former, and less under the latter: they will be able to choose which they prefer.

The Labour Coordinating Committee, an influential 'soft-left' pressure group within the Labour Party, has described the

Community Charge as 'a straightforward attempt to create the conditions for local tax-payers revolts' against council spending plans' (Labour Councils in the Cold, Labour Coordinating Committee, January 1988, p.7).

They went on to provide one of the simplest arguments for the Community Charge :

'Ordinary local people will foot the entire bill on any local spending above the government norm. When the local council wants to carry out a programme of service expansion, local people will no longer be cushioned by increased businesses rates and rate support grant. They will want to know that increased expenditure is well spent' (ibid, p.11).

The Ready Reckoner

The Prime Minister has summarised the radical step forward in accountability which Community Charge will provide :

'We have never had this sort of system before. It means that people in local authorities have a ready reckoner by which to judge the performance of the local authority. If they are paying more Community Charge it is either because they have more extravagant services or they are dealt with by less efficiency of management. It is quite a revolution. It really does mean accountability to people' (Speech to Conservative National Local Government Advisory Conference, London, 5th March 1988).

A Basically Fair System

The Community Charge, levied on individual adults rather than on households, will mean that single widows will no longer pay as much or more for the same local services as a family of four adults living in the same local authority area.

It will also mean that everyone, wherever they live, could pay the same for a standard level of services. Variations in bills between different areas will only be caused by different council policies and practices.

Everyone will pay at least something in local bills towards the cost of local services, and virtually every local voter, not just the long suffering ratepayer, will have an interest in prudence rather than profligacy in local government.

Protecting the Less Well Off

Rebates will be available for those on low incomes. Those people who are eligible for Income Support - which replaces supplementary benefit from April 1988 - will receive a full 80 per cent rebate. So will those whose sole source of income is the state retirement pension. Rebates will diminish as incomes rise for those above the Income Support level.

Furthermore, those on Income Support will have their benefit uprated to cover the national average of 20 per cent of the Community Charge. Thus those living in councils which spend above the national average will make a small net contribution towards paying for this profligacy, while those living in areas which spend below average will actually be better off. Thus even those on the lowest incomes will have an interest in efficiency in local government and will thus be able to play a full part in local democracy.

Fair Contributions By All

Because of rebates, the top ten per cent of households by income will pay six times as much in Community Charge as the bottom ten per cent. They only pay five times as much in rates.

Moreover, it must be remembered that the Community Charge will fund only the same proportion of council spending that domestic rates do now - about a quarter. Businesses will continue to pay around a quarter too, while central government - the national taxpayer - will continue to pay around half.

Thus, in 1987/8 an average household in England used £30 of Local Authority services. Of this amount, national taxes funded £15, business £8 and they themselves directly - through rates - £7. The Community Charge will replace the domestic rates proportion of this equation.

Consequently, the top ten per cent of households by income will pay around fifteen times as much towards the total cost of local services as the bottom ten per cent - even after the Budget tax cuts.

As Mr Ridley has pointed out 'we have taken account of ability to pay' (Buxton, 19th March 1988).

Gainers

Many groups - among them some of the most deserving groups in society - will be better off because of the introduction of the Community Charge.

Those on the lowest incomes will gain. For households in the lowest income group of all (with a net income of £50 per week or less) rates amount to 4.1 per cent of net income, while the Community Charge will represent only 3.4 per cent.

Households on all net income levels up to £150 per week will be better off on average.

Other groups who will gain under the Community Charge when it is fully implemented include :

- more than four in five single pensioners living alone;
- three quarters of single adult households other than single pensioners;
- nearly 90 per cent of one parent family households;
- nearly 60 per cent of tax units consisting of couples with two children;
- 62 per cent of households in East Anglia;
- 72 per cent of households in the South East (excluding Greater London);
- over two thirds of households in the West Midlands.

Indeed 53 per cent of all households in England - more than 9.8 million households - will gain.

Of the households that will lose, 56% lose less than £2 a week, including nearly 38% that will lose less than £1 a week. The left-wing weekly New Statesman has commented, 'most people will lose or gain relatively trivial amounts through the poll tax, despite all the hoo-hah being made by opponents of the poll tax about the size of these changes' (New Statesman, 5th February 1988).

Exemptions

A relatively small number of people - around half a million - will be exempted from paying the Community Charge. These will be :

- the severely mentally handicapped (at present those who become severely mentally handicapped at birth or in childhood; the Government is considering whether to extend this to those who become handicapped later in life).
- long stay hospital patients (those whose sole or main residence is in a hospital);
- those cared for in a residential home;
- prisoners;
- foreign diplomats;)
- members of visiting forces;) (the foreign Governments concerned will continue to make contributions to central government in lieu of the Community Charge - the money will then be recycled through Government grant);
- monks and nuns (the Government is considering how best to implement the exemption of this group);
- school pupils over the age of 18.

In addition, students will only be liable for 20 per cent of the Charge at their term time address.

Implementation

There will be a separate Community Charge register set up by each District Council. A version of the register containing simply names and addresses will be open for public inspection.

The Community Charge Registration Officer, who will be an officer of the local authority, will have access to such council information as he requires to compile the Community Charge Register. He will also send to each household a form requesting details of those in the household over the age of 18. He will not, however, have access to private information such as bank accounts. There will be no need for identity cards.

The Community Charge Registration Officer (CCRO) will also have the right to inspect the electoral roll, which is available for public inspection anyway. The Community Charge will not be a tax on voting - some who will be liable for the Charge, such as foreign citizens, will not have the right to vote, while failure to register for the Charge will not result in the loss of the right to vote. The register and the electoral roll will be entirely separate.

There will be financial penalties for failure to fill in the canvass form and for intentional evasion of registration for the Community Charge.

Since the Community Charge Registration Officer will have access to a great deal of information other than the Electoral Roll, those who leave their names off the electoral roll in an attempt to evade the Community Charge will be unlikely to escape detection. So it would be pointless for people to disenfranchise themselves in this way.

Indeed, a recent opinion poll for the Local Government Chronicle indicates that nearly one in four voters would be more likely to vote in local elections as a result of the introduction of the Community Charge, including nearly one in three of those who said they had not previously voted. This will, as the Government intends, increase the accountability of local councils by encouraging higher turnouts in local elections.

Cost of the New System

The Government estimates that the total additional cost to local authorities in a full year of the new system will be in the ranges £160 million to £200 million. This means that the total cost of collection will be roughly double that for domestic rates. Since the total number of payers of the Charge will be roughly twice that of ratepayers, the cost per payer will stay approximately the same.

The Government also estimates that expenditure of £70 million - £90 million will be made in 1989-90 on the establishment of the register and preparation of new building and collection systems. Mr Howard has already announced an additional allocation of £25 million for 1988-9 to assist the first stages of preparation for the Charge. The Government will allow for preparation costs in 1989-90 in the RSG settlement for that year.

The Community Charge's major advantages of increased accountability, simplicity and fairness make increases in collection costs worthwhile. Furthermore, as Mr Ridley has commented :

'Ease of collection by itself is not a good argument for a tax. If it was, we would put the entire cost onto petrol tax' (Hansard, 16th December 1987, Col 1118).

Community Charge Capping

The Government has announced that there will be a power in relation to the Community Charge similar to that which exists for selective rate limitation.

The Government is likely to use this power only in exceptional circumstances and after consultation with the local authority itself.

The power would be used if a local authority's total spending or increase in spending was excessively high.

The reduction which the authority would be required to make would feed through either as a refund to all Community Charge payers in the area, or as lower instalments of Charge payments for the rest of the year. Community Charge capping decisions would be made and implemented by the summer of any given year.

Expaining the need for a power to cap the Community Charge, Government Minister, Mr Michael Howard, has said :

'It is important that we have the flexibility given by [it] to be able to offer Charge payers the protection that they have the right to expect when facing demands which are unreasonable' (Hansard, Standing Committee E, 17th March 1988, Col 1488).

Government Grant

The new Government grant will be a single revenue support grant. The will compensate for variations in needs between different areas and provide support for local services on a per capita basis. This single revenue support grant will incorporate the previously proposed needs grant and the standard grant. Authorities will receive the same amount of grant as they would if they Government had retained two grants.

The number of criteria used to assess the amount of grant an authority is eligible for will be less than the 63 employed at present, so that the new system will be more easily understood by ordinary voters.

The key importance of this in ensuring that local authorities cannot blame high charges on lack of grant, has been pointed out by Mr Howard, who has said :

'The first step in achieving accountability ... is to have a grant system that is readily comprehensible' (Hansard, Standing Committee E, 10th March 1988, Col 1355).

The Collective Community Charge

The Collective Community Charge will be levied in properties in multiple occupation such as hostels where people may stay only a short time before moving on. It is up to the local Community Charge Registration Officer to designate a property as one subject to the collective Charge.

The landlord will be liable for the Collective Charge. The local authority will charge the landlord according to the number of adults who live in the property. He will be required to recover from each adult tenant, with the rent, a separately identified amount equal to the individual Community Charge for the area.

He will be entitled to deduct a management allowance of 5 per cent of the amount he is required to collect. There will be rebates for tenants on low incomes.

The Standard Community Charge

Some local services, such as fire, police, and roads, are needed whether or not a house is used as a main residence. If no Charge were able to be levied on second homes, the owners would therefore receive an undue windfall gain.

A standard Community Charge will therefore apply to all domestic property not occupied as a sole or main residence.

The standard Charge will be set by the local authorities responsible for collecting the Charge as a multiple of the personal Community Charge for their area. They will be able to set it at up to twice the level of the local personal charge, and they will have the discretion to set different standard charges for different categories of property. The Government will also have the power to set a limit at a lower level for each category of property: it intends to use this power to set a standard charge of zero for property which is temporarily empty for up to 3 months on a change of occupier.

The person liable to pay the standard charge will be the owner or, if the property is let for six months or more, the tenant. No standard charge will be payable, of course, if the property is used as a sole or main residence: in these circumstances the personal Community Charge would apply, and would be payable by those who occupied the property for that purpose.

Caravans

The Government has accepted the case for distinguishing between second homes and caravans. Caravan sites and caravan

pitches will remain in non-domestic rating, and caravan owners will not be subject to the standard Community Charge.

Parish and County Councils

The District Council (or London Borough) in each area will be responsible for managing a collection fund. This fund will receive all local Community Charges, together with Revenue Support Grant and the National Non Domestic Rate for the area. The County, District and Parish Council will all precept upon the collection fund for all of their income (other than that from fees and charges and specific grants).

The Community Charge Bill

Final decisions on the format of the Community Charge bill which each person liable for the Charge will receive individually have not yet been taken, but it is likely that it will set out all of the following :

- the income required by each authority, showing the different requirements of the different local authority tiers;
- the standard figure of Charge for which every local authority in the country could provide a standard level of service (£178 in 1987/8);
- how much of the total income required will be met by Government grant, business rates and the Community Charge.

This will enable local voters to see how much of their money each tier of local authority is spending, and whether this is more or less than the Government's standard figure.

A Charge Not a Tax

Most goods and services - including food - are provided at the same cost to all, regardless of people's incomes. Car tax, VAT and TV licences are levied at a flat rate. Redistribution of income can only be done fairly and efficiently by the national income tax and benefits system.

Since with the Community Charge people will be able to pay the same for the same services, the Community Charge is a Charge for local services not a tax.

Death Knell for Extremism

Labour's anxiety about the Community Charge has been pithily expressed by Labour-controlled Newham Council. In an advertisement for staff for a Community Charge section the Council, which overspent by £126 per adult in 1987/8, urges applicants to 'Help us prepare for the apocalypse' (Municipal Journal, 19th February 1988).

As Mr Ridley has commented :

'The Labour Party may claim the Community Charge will hit Conservative support, but they are privately scared stiff at the implications it has for the future of incompetent, inefficient, extremist, high spending, Labour councils. It is their death knell' (West Bromwich, 13th February 1988).

Labour's Desperate Tactics

Labour's desperation in the face of the Community Charge has led them to mount a campaign based on blatant inaccuracies. A leaflet circulated nationally by Walworth Road, and used in a county council by-election in the constituency of the Shadow Environment Spokesman, Dr John Cunningham, alleges falsely that the Community Charge will affect the right to vote, since 'if you don't register the consequences are severe. You won't be able to vote. You won't be able to use local services'.

Despite repeated public complaints from the Chairman of the Conservative Party, Mr Peter Brooke, Mr Kinnock has refused to withdraw this mendacious leaflet. As Mr Brooke concluded in his final letter to Mr Kinnock : 'I regret that serious discussion about the reform of local government finance has been clouded by your Party's resort to distortions and inventions' (19th February 1988).

The Simple Choice

Mr Ridley has said that the Community Charge will ensure that the choices facing voters will be simple and stark : do you want to pay for inefficient, inadequate, expensive services or do you want to vote for frugal efficient administrations who take as little as possible of your money ? ... That is the choice that Conservatives should be putting to the electorate now' (West Bromwich, 13th February 1988).

The Community Charge puts the Community in Charge

Mr Howard has pointed out that 'The Community Charge will put the community in charge' because : 'Far from being a centralising measure, as some opponents have described it, our package of changes to the rates and rate support grant systems will ensure that in future power moves to local people. Community Chargepayers will see that they are paying the piper - and they will call the tune' (Speech to Conservative National Local Government Advisory Conference, London, 5th March 1988).

C. TRANSITIONAL ARRANGEMENTS

Although the Community Charge will be introduced all at once throughout most of England in 1990/1 there will be 2 sets of special transitional arrangements :

- in some London boroughs, the Community Charge will be phased in (and domestic rates phased out) over 4 years;
- in the whole of England, there will be a safety net to cover the removal of the present rate equalisation scheme.

Phasing in Parts of London

In some London boroughs, where spending is highest because of the profligacy of ILEA or of the borough or both, the Community Charge will be phased in over a four year period from 1990 to 1994.

Examples of this profligacy include a £252 per adult overspend by ILEA - which in itself would drive the Community Charge in Conservative controlled Wandsworth up from £144 to £396 - and overspending of £352 per adult in Labour run Camden and £261 in Labour run Hackney.

In inner London and Waltham Forest, therefore, the Community Charge will be £100 in 1990/1 if spending is unchanged compared with the previous year. Otherwise it will vary up or down according to the changes in council spending. At the same time households liable for rates in those areas will pay a diminishing proportion of those rates.

That proportion will decline steadily to zero over the following four years while the Community Charge will increase to fill the gap between rate income and council spending left after business rate and revenue support grant income is allocated.

During that transitional period, just as when the Community Charge is fully implemented, local authorities will only be able to increase spending by increasing the Community Charge, since the domestic rates element will continue to decline regardless.

Thus the transitional period will immediately bring some degree of accountability to inner London, while at the same time giving the authorities concerned time to adjust their budgets to more sensible levels.

The Safety Net

Under the present system of domestic rates, Government grant paid to local authorities compensates for differences in average rateable values between areas. This means that areas with high rateable values subsidise areas with low values. Thus ratepayers in high value areas can often pay

more for the same level of local services than ratepayers, in similar houses, in low value areas. Rich and poor in high value areas subsidise rich and poor in low value areas. The Government recognises that this is an absurd and unfair system, although it has been perpetuated for many years. With the introduction of Community Charge, the system of rate equalisation becomes unnecessary. Revenue support grant will compensate for differences in need between different local areas. All Community Charge payers will, under the new system, be able to pay the same Charge for the same level of local services.

Rate equalisation, and the unfairness and burdens it has long imposed on areas with high rateable values, will therefore be abolished. However, so large are the sums involved that it would be very disruptive to do so overnight, and therefore the safety net will phase out the system over four years. This will enable those areas who will lose to do so gradually, while those who gain will do so steadily until they receive the full benefit after four years - in 1994/5.

Even in the first year the maximum contribution towards the cost of the safety net will be limited to £75 per adult (ie a maximum £75 on the Community Charge). Without such a maximum, some local authorities would contribute over £100 per adult to the safety net.

The safety net is merely a mechanism for phasing out an unfair existing burden.

This is clearly shown from the figures on the next two pages, published by The Times on 5th December 1987. These compare the existing average bill per adult with the first year Community Charge in 1990-1 (assuming no deviation from 1987-8 spending levels). In most areas of the country there is little or no difference between the two figures showing that the effects of rate equalisation now and of the safety net in its first year are in most respects identical. The table also shows the level of Community Charge when the safety net is phased out after four years, and also the effects of the National Non Domestic Rate poundage.

COMMUNITY AND BUSINESS RATE CHANGES (based on 1987/88 spending)

	Average rate bill per adult in final year of rates (1989-90) (£)	First yr poll tax per adult (1990-1) (£)	Full poll tax, no safety net (1994-5) (£)	Business rates rise or fall (1990-1) (%)		Average rate bill per adult in final year of rates (1989-90) (£)	First yr poll tax per adult (1990-1) (£)	Full poll tax, no safety net (1994-5) (£)	Business rates rise or fall (1990-1) (%)
GREATER LONDON REGION					Norwich	183	183	172	3
Camden	456	100	782	-3	S Norfolk	186	186	149	17
Greenwich	260	100	606	-4	King's Lynn/W				
Hackney	412	100	691	-5	Norfolk	154	154	154	16
H Smith/Fulham	225	100	465	-6	Suffolk				
Islington	289	100	483	18	Babergh	202	202	173	8
Kensington &					Forest Heath	187	169	169	9
Chelsea	389	100	370	91	Ipswich	215	215	192	-1
Lambeth	302	100	547	0	Mid Suffolk	187	187	177	5
Lewisham	369	100	677	-6	St Edmundsbury	183	183	161	9
Southwark	288	100	570	1	Suffolk Coastal	222	222	178	4
Tower Hamlets	307	100	639	1	Waveney	189	189	175	5
Wandsworth	211	100	435	61					
Westminster	528	100	398	38	WEST MIDLANDS REGION				
Barking & Dag-					Hereford and Worcester				
enham	208	213	221	11	Bromsgrove	209	209	136	20
Barnet	317	297	222	21	Hereford	157	157	149	17
Bexley	207	211	211	25	Leominster	149	149	148	17
Brent	326	326	283	-12	Malvern Hills	207	207	150	14
Bromley	217	217	173	38	Redditch	210	210	153	11
Croydon	218	218	158	42	S Herefordshire	147	147	133	21
Faling	301	301	278	-11	Worcester	206	206	150	13
Infield	226	226	199	21	Wyche	223	223	150	14
Haringey	340	340	329	-17	Wyre Forest	200	200	166	11
Harrow	276	276	223	17	Shropshire				
Havering	208	208	189	27	Bridgnorth	192	192	172	11
Hillingdon	239	239	221	7	N Shropshire	170	175	177	10
Hounslow	205	205	170	-6	Oswestry	165	170	163	8
Kingston	252	252	212	21	Shrewsbury	205	205	188	8
Merton	222	222	173	34	S Shropshire	162	169	176	11
Newham	304	304	304	-15	The Wrekin	209	209	203	2
Redbridge	208	208	171	39	Staffordshire				
Richmond	291	291	233	16	Cannock Chase	192	192	186	-2
Sutton	262	262	224	15	E Staffs	184	184	177	1
Waltham F	351	100	365	-30	Lichfield	232	232	174	2
					Newcastle	189	189	186	-1
SOUTH EAST REGION					S Staffs	234	234	172	3
Berkshire					Stafford	203	203	177	4
Bracknell	228	219	144	16	Staffs Moor-				
Newbury	228	226	151	17	lands	184	184	184	0
Reading	210	210	168	11	Stoke-on-Trent	168	173	187	-1
Slough	208	208	149	19	Tamworth	211	211	163	3
Windsor &					Warwickshire				
Maidenhead	270	239	184	15	N Warwicks	217	217	208	-7
Wokingham	249	224	149	14	Nuneaton &				
East Sussex					Bedworth	219	219	200	-5
Brighton	226	226	176	5	Rugby	222	222	180	1
Eastbourne	260	248	173	3	Stratford	264	249	174	3
Hastings	204	204	169	4	Warwick	257	251	176	2
Hove	235	235	174	18	West Midlands				
Lewes	247	247	172	6	Birmingham	249	249	186	-7
Rother	258	251	176	5	Coventry	239	239	219	-13
Wealden	224	224	175	4	Dudley	248	248	203	-4
Hampshire					Sandwell	200	200	175	-5
Basingstoke	208	208	163	17	Southall	260	238	163	14
E Hants	238	238	181	8	Walsall	222	222	191	-12
Eastleigh	221	221	176	9	Wolverhampton	254	254	206	-6
Fareham	237	237	179	7					
Gosport	208	208	169	9	EAST MIDLANDS REGION				
Hart	259	259	185	4	Derbyshire				
Havant	229	229	168	10	Amber Valley	200	225	237	-22
New Forest	219	219	181	8	Bolsover	200	205	266	-27
Portsmouth	175	181	187	5	Chesterfield	222	227	246	-24
Rushmoor	194	194	182	7	Derby	263	268	237	-22
Southampton	182	182	176	7	Ernst	228	233	237	-20
Test Valley	207	207	171	10	High Peak	213	219	245	-24
Winchester	233	233	180	7	N E Derbys	234	239	252	-26
Isle of Wight					S Derbys	236	236	232	-22
Medina	198	201	209	-4	W Derby	247	247	233	-22
S Wight	211	215	215	-7	Leicestershire				
Kent					Blaby	222	222	189	2
Ashford	178	178	148	15	Charnwood	231	231	195	3
Canterbury	170	170	152	14	Harborough	239	239	196	-1
Dartford	151	151	149	14	Hinckley	210	210	185	4
Dover	151	151	144	18	Leicester	184	189	220	-9
Gillingham	156	156	150	28	Melton	224	224	204	10
Gravesham	177	177	152	15	N W Leics	213	213	210	-4
Maldstone	170	170	147	17	Oadby/Wigston	232	232	194	2
Rochester	157	157	131	24	Rutland	208	208	195	2
Sevenoaks	189	189	151	14	Lincolnshire				
Shepway	201	201	160	13	Boston	158	158	152	13
Swale	147	152	153	13	E Lindsey	158	158	157	10
Thanet	182	182	154	12	Lincoln	152	157	158	9
Tonbridge	166	166	152	12	N Kesteven	154	155	155	10
Tunbridge Wells	177	177	152	16	S Holland	152	155	155	10
Oxfordshire					S Kesteven	169	169	154	13
Cherwell	228	228	201	-3	W Lindsey	155	160	166	7
Oxford	235	235	220	-7	Northamptonshire				
S Oxon	254	254	202	-4	Corby	202	202	189	-0
White Horse	243	243	193	-1	Daventry	265	265	232	-0
W Oxon	227	227	205	-4	E Nthants	177	177	158	7
Surrey					Kettering	192	192	186	1
Elmbridge	368	314	239	8	Nhampton	224	224	188	-2
Epsom/Ewell	300	257	182	5	S Nthants	228	228	171	7
Guildford	241	235	160	10	Wellingborough	195	195	180	3
Mole Valley	252	244	169	9	Nottinghamshire				
Reigate	267	258	183	6	Ashfield	163	168	209	-16
Runnymede	211	211	151	10	Bassetlaw	183	189	238	-19
Spelthorne	221	221	179	13	Broxtowe	198	202	202	-14
Surrey Heath	241	215	140	11	Gedling	208	208	201	-14
Tandridge	228	228	173	12	Mansfield	186	191	237	-18
Waverley	273	249	174	8	Newark	186	191	209	-14
Woking	234	215	140	7	Nottingham	190	195	207	-15
West Sussex					Rushcliffe	229	229	206	-15
Adur	223	223	180	2					
Arun	219	219	159	12					
Chichester	207	207	152	13					
Crawley	202	208	219	2					
Horsham	208	208	149	14					
Mid Sussex	230	230	162	10					
Worthing	212	212	155	13					

SOUTH WEST REGION

Avon				
Bath	204	209	224	-5
Bristol	222	227	237	-17
Kingswood	209	209	206	-8
N Avon	223	223	221	-11
Wansdyke	217	217	204	-7
Woodspring	243	243	219	-11
Cornwall				
Caradon	183	183	158	10
Carrick	170	170	166	8
Kerrier	148	153	162	7
N Cornwall	168	168	162	8
Penwith	164	164	164	8
Restormel	160	161	161	9
Devon				
E Devon	193	193	167	8
Exeter	164	164	159	10
N Devon	147	152	175	5
Plymouth	174	174	165	8
S Hams	201	201	178	6
Teignbridge	178	178	175	6
Mid Devon	152	157	173	6
Torbay	205	205	177	1
Torridge	134	139	180	4
W Devon	157	163	168	7
Dorset				
Bournemouth	214	214	165	5
Christchurch	242	241	166	7
N Dorset	176	176	156	10
Poole	244	237	162	8
Purbeck	187	187	154	11
W Dorset	176	176	157	10
Weymouth	170	170	165	6
Wimbome	253	248	173	6
Gloucestershire				
Cheltenham	231	231	180	5
Cotswold	230	230	180	6
Forest of Dean	182	167	191	2
Gloucester	182	183	183	4
Stroud	204	204	192	2
Tewkesbury	215	215	173	6
Somerset				
Mendip	188	188	178	3
Sedgemoor	198	198	191	0
Taunton Deane	187	187	181	2
W Somerset	203	203	181	3
S Somerset	186	186	178	2
Wiltshire				
Kennet	192	192	190	1
N Wilts	176	181	201	-2
Salisbury	206	206	184	4
Thamesdown	206	212	238	-13
W Wilts	183	186	186	1
Isles of Scilly	168	168	93	16

EASTERN REGION

Bedfordshire				
N Beds	262	262	241	-12
Luton	293	293	239	-14
Mid Beds	255	255	233	-12
S Beds	292	292	236	-13
Buckinghamshire				
Aylesbury Vale	250	250	191	1
S Bucks	397	281	206	1
Chiltern	393	286	211	-1
Milton Keynes	266	286	221	-5
Wycombe	322	276	201	0
Cambridgeshire				
Cambridge	263	263	190	-0
E Cambs	191	191	182	2
Fenland	181	185	185	-0
Huntingdon	208	208	181	1
Peterborough	231	231	214	-7
S Cambs	251	242	167	2
Essex				
Basildon	325	325	259	-11
Braintree	219	219	177	2
Brentwood	355	355	339	2
Castle Point	262	261	186	3
Chelmsford	269	256	181	5
Colchester	211	211	168	5
Epping Forest	293	259	184	1
Harlow	321	321	315	-22
Maldon	256	254	179	2
Rochford	269	252	177	1
Southend	275	259	184	2
Tendring	240	240	184	-0
Thurrock	274	274	242	-8
Uttlesford	264	258	183	2
Hertfordshire				
Broxbourne	250	250	194	-2
Dacorum	287	273	196	-1
E Herts	257	257	196	-2
Hertsmere	308	287	212	-6
N Herts	275	272	197	-2
St Albans	296	279	204	-0
Stevenage	287	287	233	-9
Three Rivers	313	280	206	-4
Watford	283	263	206	-6
Welwyn Hatfield	299	299	225	-8
Norfolk				
Breckland	165	165	147	17
Broadland	187	187	152	17
Great Yarmouth	175	175	166	10
N Norfolk	170	170	152	18

YORKSHIRE AND HUMBERSIDE

Humberside				
Beverley	240	240	219	-8
Boothferry	164	170	224	-9
Cleethorpes	196	201	229	-10
Glanford	191	196	219	-7
Great Grimsby	182	188	219	-8
Holderness	194	199	215	-6
Kingston-o-Hull	181	187	248	-18
E Yorks	180	185	230	-12
Scunthorpe	209	214	261	-14
North Yorkshire				
Craven	153	159	184	3
Hambleton	177	179	179	4
Harrogate	202	206	206	-3
Richmondshire	149	155	184	3
Ryedale	159	164	181	4
Scarborough	165	170	192	0
Selby	159	165	200	0
York	136	141	173	8
South Yorkshire				
Barnsley	168	173	264	-25
Doncaster	204	210	280	-26
Rotherham	184	189	252	-27
Sheffield	190	195	248	-30
West Yorkshire				
Bradford	191	196	238	-26
Calderdale	171	176	259	-24
Kirklees	167	172	246	-22
Leeds	177	182	204	-10
Wakefield	190	195	254	-22

NORTHERN REGION

Cleveland				
Hartlepool	210	215	268	-22
Langbaurgh	247	252	270	-24
Middlesboro	247	252	277	-24
Stockton	245	250	250	-21
Durham				
Chester-le-street	179	184	214	-12
Darlington	200	205	245	-17
Derwentside	176	181	264	-16
Durham	171	176	224	-13
Easington	143	148	196	-10
Sedgefield	169	174	253	-18
Teesdale	129	134	194	-4
Wear Valley	149	155	247	-18
Northumberland				
Alnwick	172	177	215	-4
Benwick	173	178	206	-5
Blyth Valley	207	212	252	-15
Castle Morpeth	214	215	215	-8
Tynedale	181	186	217	-7
Wansbeck	175	180	251	-17
Tyne and Wear				
Gateshead	192	197	263	-17
Newcastle	253	259	292	-32
N Tyneside	234	239	265	-27
S Tyneside	183	188	254	-18
Sunderland	195	200	262	-24

NORTH WEST REGION

Cheshire				
Chester	230	230	194	-6
Congleton	214	214	187	-6
Crewe	214	214	192	-7
Ellesmere Port	239	239	216	-7
Haltom	197	197	194	-6
Macclesfield	265	258	183	-3
Vale Royal	208	208	189	-7
Warrington	204	204	192	-8
Cumbria				
Allerdale	174	180	252	-16
Barrow in Furness				
Carlisle	159	164	257	-19
Copeland	162	168	258	-18
Eden	174	179	243	-16
S Lakeland	221	226	252	-16
Lancashire				
Blackburn	144	149	206	-13
Blackpool	188	193	194	-4
Burnley	142	147	239	-14
Chorley	180	185	190	-1
Fylde	209	209	189	-1
Hyndburn	137	142	212	-7
Lancaster	162	167	190	1
Pendle	132	137	212	-8
Preston	173	178	201	-5
Ribble Valley	171	178	199	-2
Rossendale	158	164	228	-9
S Ribble	175	180	189	0
W Lancs	215	215	190	-1
Wyre	190	190	189	1

GREATER MANCHESTER

Bolton	197	202	202	-8
Bury	254	254	244	-18
Manchester	255	261	272	-37
Oldham	178	184	201	-12
Rochdale	193	199	236	-25
Salford	233	238	243	-19
Stockport	238	238	183	-2
Tameside	197	203	233	-22
Trafford	218	218	156	1
Wigan	211	216	245	-21

MERSEYSIDE

Knowsley	251	256	267	-29
Liverpool	256	263	301	-31
St Helens	220	225	243	-25
Sefton	242	242	210	-14
Wirral	280	280	246	-21

Community Charge is the only system whose clarity and simplicity reveals this long-existing but often unknown burden. The Community Charge is also the only system which will enable these burdens to be removed, since both Local Income Tax and capital value rating would require the retention of a similar form of redistribution of resources between difficult areas.

D. THE NATIONAL NON DOMESTIC RATE AND NON DOMESTIC REVALUATION

The Key to Local Accountability

Non-domestic rates are not really suitable as a local variable tax. Around half of all rates are paid by business; so half the cost of any increase in a council's spending is met by business ratepayers, in some areas much more. Local authorities are however not answerable to businesses, which do not have the vote. Councils thus use business rates to subsidise services to residents, who do have the vote.

This obscures from voters the true cost of local authority services. The enormous variations in non-domestic rateable value also mean that the system of grant support to local authorities has to be much more complex to try to ensure that local taxpayers do not pay widely different rates for the same local services.

Mr Ridley has summed up the fundamental unfairness of the present system of business rates:

'Businesses at present have no vote and no effective influence over the spending decisions of local authorities. It is unreasonable, unfair, undemocratic and economically perverse that local authorities can now set rates on businesses which vary locally and which constitute a large element in business costs' (Buxton, 19th March 1988).

Under the new system, non-domestic rates will be levied at the same poundage everywhere. This will be set at the outset at a poundage to raise about the same amount in total as at present. Thereafter, annual increases will be limited to increase no more than the retail price index. The proceeds of the NNDR will be redistributed to authorities as an equal amount per adult resident. This means that the full cost of increases in spending will be met by residents through the Community Charge. Correspondingly, residents will get the full benefit where authorities adopt prudent policies.

As Mr Howard has put it :

'One of the greatest merits of our system that is linked to the retail price index will be to put pressure on local authorities to keep costs down because, as I have already explained, if they do not, the excessive costs will be met by the voters' (Hansard, Standing Committee E, 3rd March 1988, Col 1187).

In future authorities will receive grant purely and simply on the basis of their needs. So in future every council in the country will be able to charge the same for a standard level of service. In this way local people will have a clear benchmark against which they can judge the efficiency of their council. Without an NNDR, this direct form of accountability would not be possible.

Fairness For Businesses At Last

A uniform rate will also be much fairer between businesses. Business rates currently vary by a ratio of 3:1 between the highest and lowest. So, for example, a company with similarly valued business premises could have paid 117p in the £ in Kensington and Chelsea in 1987/8, compared to 354p in the £ in Manchester. But standards of service to business vary by far less, since most of the variation goes on services to people.

These extreme variations distort fair competition between businesses, and encourage businesses to choose their location for reasons which should be irrelevant. Often it is councils in the North and the inner cities, which most need new investment, which drive businesses away by high rates - such as Labour controlled Ealing's rate rise of 57 per cent in 1987/8, and Labour run Manchester's 19.7 per cent rise in the same year.

- * Taken together, the NNDR and regular 5 yearly revaluations give businesses the promise that rate bills will be a stable element in their costs for the future, and remove the threat of unpredictable and often large increases in April every year.

Inevitably, on moving to a uniform rate set at the national average businesses in low-spending areas, where rate poundages are currently below average, will face increases in their rate bills. However, most of these increases will be modest with few exceeding 20 per cent; many businesses have had to face much larger increases than this in recent years with no notice whatsoever when local authorities have increased their expenditure. The larger increases will be phased (see below).

Once the NNDR is in place, businesses everywhere will benefit from the guarantee that rates will rise by no more than the Retail Price Index, and possibly by less, thus giving them a stable and predictable rate burden for the future and enabling them to plan new investment with confidence.

Revaluation : Unfounded Worries

At the same time as the NNDR is introduced in 1990, there will also be a revaluation of non-domestic property, the first since 1973. Much of the concern expressed by small businesses in particular has been about the possible effects of revaluation. Revaluation is however essential. If businesses are to be taxed on property values, there can be no possible justification for continuing to use 1973 rental values; since then, there have been major changes in the economy, resulting in corresponding changes in property values. Revaluation will reflect these shifts: in general it is expected that retailers, especially in the South, will face increases in relative rateable value, whereas manufacturers, especially in the North and Midlands, will benefit from reductions.

It is clear that some of the worries of small businessmen about revaluation result from a misunderstanding. All rateable

values are likely to increase substantially, by a factor averaging between 5 and 6, to reflect the effect of inflation on rents since 1973. But the uniform rate poundage will be reduced in proportion, to ensure that no more is raised in total rates than before. What matters to the individual businessman is how his rateable value has moved relative to the average for all businesses.

Moreover, some of the forecasts that have been circulated by small business organisations about the likely effect, in particular on small shops, overstate the true picture. It is not yet possible to forecast in detail the effects on individual businesses; but such forecasts as are available, including some from independent firms of chartered surveyors, suggest that few small shops will face very large increase in rateable value, with increases relative to the average exceeding 50 per cent being fairly uncommon. Inevitably, there will be some larger increases, especially among prime high-street shops in a small number of shopping centres which have expanded greatly since 1973. It has to be remembered that the businesses facing large increases will be those that have benefitted substantially from the long delay in revaluation.

Dr Jack Cunningham, the Labour Party's Shadow Environment Spokesman, has said 'we support the revaluation of business property, because we are in favour of a property tax' (Hansard, Standing Committee E, 3rd March 1988, Col 1186)

Transitional Arrangements

Some of the increases resulting from the NNDR and revaluation will clearly be too big for businesses to accommodate overnight. There will therefore be phasing arrangements, with an upper limit on the increase that any business can face in its rate bill in any one year, designed to spread the bigger increases over five years to the next revaluation in 1995. This will be paid for mainly by deferring some part of the large gains that some businesses can expect to make from revaluation and the NNDR, possibly also with a small premium on the national poundage at least in the first year. The Government will consider the precise level of the ceiling on increases in the light of information about the distributional effects of revaluation as this becomes available.

There is no doubt that small businesses are less able to cope with increases in their fixed costs. Sympathetic consideration is therefore being given to allowing them special transitional arrangements. These would take the form of allowing them a smaller maximum percentage increase in any given year. The Government also intends to introduce amendments allowing for a longer transitional period than five years if the full effects of NNDR and revaluation have not worked their way through by then.

Consultation

The Government is considering how a new consultation system between local authorities and local businesses might be structured, with the emphasis on services provided

by local authorities to business and levels of fees and charges.

Churches and Charities

The present pattern of reliefs from non-domestic rates will be continued. Non-domestic property used for charitable purposes will continue to receive at least 50 per cent relief as at present - and churches, for example, will continue to be exempt. Local authorities will retain the discretion to grant the further 50 per cent relief, and to give relief to other non-profit-making bodies.

Vicars and priests, since they use local services and have a local vote, will be individually liable for the personal Community Charge. They will be eligible for rebates on the basis of their income just like everyone else. The Government is considering how best to implement its promise to exempt monks and nuns.

Exemptions

In addition to churches and charitable properties, the following categories of property will be exempted from non-domestic rating :

- agricultural land and buildings, used exclusively for agricultural purposes;
- fish farms;
- lighthouses, buoys, and beacons owned or occupied by Trinity House;
- sewers and their accessories;
- land or structures occupied by drainage authorities for the purpose of regulating water flows;
- parks provided or managed by local authorities and available for free and unrestricted use by members of the public;
- property used for training, keeping occupied, providing welfare services or workshops for the disabled;
- air raid protection works;
- swinging moorings;
- property in Enterprise Zones.

Alternatives to the NNDR

The CBI has requested a £2 billion reduction in the overall rates burden for businessmen. Everyone would like to pay less but that must mean others paying more. The Community Charge would increase by about £57 a head - or income tax would have to rise by nearly 2p in the pound.

The CBI have suggested that this could be overcome by a different 'household' system of Community Charge, which they claim would reduce collection costs by £450 million, and by raising charges for local services to market levels, which they claim would raise £450 million. Both figures are wholly unrealistic.

The CBI's proposals for business rates would benefit businesses in the South East on the whole, whereas the Government's scheme would benefit those in the North and the Midlands. In high spending Manchester the poundage would be 189p, compared with 270p in low spending Tameside. The poundage in job starved Derwentside (Consett) would actually rise by 49p - under the Government's proposals it would fall by 35p.

The 'household' Community Charge would also produce bizarre results : thus low spending Salford would charge £480, while high spending Liverpool would charge only £164.

Charging market rates for all local government services would take them out of the reach of some groups altogether.

The National Federation of the Self Employed have proposed that business rates should be based on ability to pay, through a levy on company profits. This would in effect result in sharply increased rates of corporation tax. It would also mean that some banks, for example, would pay nothing this year because of their provisions to cover non payment of Third World debt. Furthermore special provisions for unincorporated businesses would be necessary and for non profit-making businesses such as building societies. Such a scheme would therefore be highly complex and probably ineffective; and it would increase the tax on success faced by growing companies.

A Good Deal for Businesses

Mr Ridley has pointed out that the Government's scheme for the National Non Domestic Rate is the only fair way ahead because :

'This is a good deal for businesses. The greatest prize they have won is that they will never again be called upon to pay for local extravagance if it raises its ugly head again' (Buxton, 19th March 1988).

E. THE IRRESPONSIBLE OPPOSITION

Labour's Ten Steps to Muddle

Labour's attempts to produce a policy in response to the Community Charge have frequently degenerated into farce. These have been its ten steps to muddle :

1. Labour's Campaign Pack for the May 1987 Local Elections stated :

'Most people accept that rates are a reasonable tax. They are clearly understood and nearly every country taxes property. But it makes no sense to base rates on the mythical rental value of a property - when most properties would never be rented in this way. That's why Labour will base rates on the actual capital value, making for a much fairer system'.

2. During the General Election Labour spokesmen strenuously denied that capital value rating was Labour policy. Mr Gould denied it (The Times, 27th May 1987). Mr Kinnock said 'It is not in the manifesto' (Municipal Journal, 5th June 1987). Shadow Environment Spokesman Mr Jack Straw said, 'Any changes that we make in the financing of local government would be technical in application and would not affect rate bills in any significant way' (quoted in Municipal Journal, 5th February 1988).
3. Mr Straw's comment was curious, because during that same General Election campaign Labour's Shadow Environment spokesman, Dr Jack Cunningham, said, 'I'm not suggesting that the rates as they are at present are acceptable, they do need radical reform' (Newsnight, 21st May 1987).
4. Within a month, Mr Kinnock contradicted Mr Cunningham. He said, 'It needs to be said that, contrary to myth, the overwhelming evidence is that if linked to a fair rebate system a rates system can be managed in a way that is proportional to people's ability to pay and its regressive nature neutralised' (Cardiff, 25th June 1987).
5. Labour's new Local Government spokesman, Mr Jeff Rooker, was appointed after the General Election. He appealed to his party's leaders to give him a policy to propound, because, 'I am not prepared to see the Labour Party walk naked into the Debating Chamber, which is what a crude and negative opposition to the poll tax will amount to, if we are seen only to be defenders of the present unfair rating system' (Birmingham, 27th July 1987).
6. By September, Mr Rooker was growing increasingly desperate. He said 'I have already made it absolutely clear that under no circumstances is our opposition to the 'poll tax' going to be conducted as a defence of the existing unfair rating system' (Old Ham, 23rd September 1987). He also said 'I'm saying to [Labour's] NEC policy makers, "Hang on a minute, what's our policy on local government?" They said, "we've got the consultation document, we were in the middle of consulting about it when she called the general election".

Putting it at its baldest, we haven't got a policy that's the actual truth' (The Independent, 24th September 1987).

7. One day later, however, Mr Rooker felt able to predict that : 'At the time we come to oppose it [the Community Charge] in the Commons we will have in place an alternative, which we haven't got today' (The Guardian, 25th September 1987).

With the Second Reading of the Local Government Finance Bill due in December it seemed that Labour would have a policy before the end of the year.

8. However, in December Mr Cunningham held a press conference at which he ruled out the production of a final Labour policy before the General Election (4th December 1987).
9. During the Second Reading debate in the House of Commons, Mr Cunningham delayed the time when a Labour policy would emerge until after a General Election. He revealed that Labour's policy now consisted simply of a promise that : 'Before legislating, we shall publish a White Paper and seek a consensus' (Hansard, 16th December 1987, Col 1136).
10. The Labour Party has now come full circle with its Campaign Pack for the May 1988 Elections, published on 28th January. This suggests a property tax 'on the capital value of a property' before 'considering the idea' of reducing the rates with 'the balance made up through a local income tax'. The pack then attacks Liberal support for LIT, because it is only 'gradually' becoming 'a practical possibility' and is 'very vague'.

Indeed, Mr Straw, then Labour's Local Government Spokesman, has pointed out that LIT would be an administrative nightmare and would have 'obviously unacceptable implications' (Local Government Chronicle, 6th February 1988).

Flirting With Law Breaking

Bereft of a policy, prominent Labour figures have come close to supporting the idea of breaking the law in opposition to the Community Charge.

The official Labour Party newspaper Labour Party News has carried an advert for the 'Don't Register! Don't Pay!' campaign run by the ILP, itself a Labour Party registered organisation.

Labour's Scottish spokesman, Mr Donald Dewar, has said that Labour in Scotland 'are looking to undermine and frustrate the implementation of the tax' (Morning Star, 11th March 1988).

NEC member Mr David Blunkett has said, 'We don't need to be frightened of non-illegal civil disobedience. There is no difference between us on this platform in saying that we can put a spanner in the works' (The Guardian, 1st February 1988).

Mr Kinnock himself has given his full backing to a Labour campaign to encourage recipients of the Community Charge registration form to send it back with a request for more information. He has called this idea 'very positive' (Morning Star, 11th March 1988).

Labour's Scottish Conference voted by 462,000 to 280,000 to hold a 'recall' conference in the autumn of 1988 to consider a clearly illegal non-payment campaign (Morning Star, 14th March 1988).

Labour MP Dick Douglas has warned those of his fellow MPs who may have qualms about law breaking of the fate that awaits them - loss of their seats. He said, 'I now feel that they are the ones with the problem because they will have to answer to their constituency parties. We all have to face reselection and they will have to defend their position on the poll tax' (Militant, 18th March 1988).

Mr Howard has pointed out that already 'under pressure from the Hard Left Mr Kinnock is sailing as close to the wind as he possibly can in supporting defiance of the law'. He went on to point out that unless the Labour leader changes course 'it will be clear that the rule of law is not safe in Labour's hands' (London, 11th March 1988).

F. ALTERNATIVES

Local Income Tax

All the remnants of the 'Alliance' - both the SLD and the Owenite SDP - together with some elements of the Labour Party - support the replacement of domestic rates by a Local Income Tax.

However, LIT would not significantly increase accountability since only 2 million more people would pay it than pay domestic rates. This would still leave nearly half of all local voters paying nothing in local bills for local services. Furthermore, one more deduction from the pay slip would hardly increase local voters' perception of the cost and value of local services.

LIT rates would vary greatly between different areas especially between Labour-run inner cities and Conservative-run neighbouring suburbs.

The LIT rate in Camden would have been 25p in the £ in 1987/8 - on top of national income tax. Yet in next door the LIT rate would be only 5.9p in the £. So a single adult on average earnings would save £1,589 a year - or £30 a week - simply by moving from Camden to Barnet.

Such an individual could save over £1,000 a year by moving from Lambeth to Croydon, or £1,342 a year - £25 a week - by moving from Lewisham to Bromley.

The consequences would be clear - and devastating. LIT would drive the young, the professional and the potential wealth creators out of the inner cities entirely. In their wake, house prices in the inner cities would collapse, penalising those living there even more. So the inner cities would become ghettos of self reinforcing poverty.

LIT would give the power to raise income tax to 400 Chancellors of the Exchequer. Attempts to organise incentives, redistribution and fairness on a national scale would be completely undermined by the volatility of local income tax rates.

LIT is a naturally buoyant revenue raiser. Such a tax - especially if a Labour or 'Alliance' Government removed all controls on local spending - would give extreme local authorities a virtual blank cheque, and enable them to undermine locally all the hard won gains achieved nationally in bringing public spending under control.

LIT would be difficult and costly to implement. The Inland Revenue does not currently hold the names and home addresses of all income tax payers, so a new register would have to be drawn up. Unlike the Community Charge register, an LIT register would require the collation either centrally or locally of sensitive personal and financial data and would link this to people's addresses - with clear civil liberty implications.

In 1981 the Inland Revenue estimated that 55,000 staff would be needed to run a local system of LIT. The cost today would be £750 million.

The average rate of LIT - 6p in the £ in 1987/8 - would reverse at one stroke almost all the Government's cuts in income tax since 1979.

LIT would therefore be complex and expensive to operate, would undermine national economic strategy without increasing local accountability significantly, and would cripple inner city regeneration.

As Mr Howard has said of LIT : 'It is not a way forward for local government in this country. It is more like a blind alley' (Letter to John Wheeler MP, 12th November 1987).

Capital Value Rating

The Labour Party has supported this idea, rejected it and then toyed with it again - all in the course of the last year (see Section E).

Capital value rating would mean no more people would pay than pay domestic rates currently, which would not advance accountability at all. Rates on such a basis would still bear no relationship to the number of people in a house.

Capital value rating would also severely worsen the unfairness of resource equalisation. The disparities between regions are even greater for capital values than for rateable values, even though rateable values themselves vary far more than incomes do.

People in London and the south east would be hit very badly - they would still pay more for a house than those in other regions, would then pay more in rates because they paid more for their house, and would see these disparities increase steadily as regular revaluations occurred.

Two and a half million households could face increases of over 50 per cent with capital value rates.

Site Value Rating

Some members of the SLD - including its member of the Standing Committee considering the Local Government Finance Bill, Mr Matthew Taylor - are still toying with the old Liberal shibboleth of site value rating. This would have most of the disadvantages of the current rating system and capital value rates, with the added twist that owners of property would not pay according to the actual value of their property but according to its potential value - including the potential value if the land upon which it is built were used for purposes other than residential accommodation. This would add yet further unfairness to the system.

Banded Community Charge

A banded Community Charge has been proposed under which the level of Community Charge payable would be banded according to income. All variants of a banded Community Charge would violate the Conservative Party's Manifesto commitment to 'replace rates ... with a fixed rate charge' (The Next Moves Forward, p.163).

The most comprehensive set of proposals for a banded Community Charge have been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In some parts of the country the impact of such a banded Charge would be severe - a newly qualified nurse in the West Midlands, for example, would pay at least $1\frac{1}{2}$ times as much as under Community Charge. In Co Durham a teacher with five years experience earning £11,850 pa would pay almost 4 times as much. An experienced and unmarried police constable in Lancashire would pay three times as much.

The scheme would create a tremendous earnings trap - someone earning an extra £1 of income could end up paying an extra £1,000 or more of banded Charge.

A banded charge would have all the disadvantages of a Local Income Tax - which it resembles much more closely than it does the Community Charge.

Thus, there would be no significant increase in accountability. Under CIPFA's proposals only $18\frac{1}{2}$ million people would pay anything at all, scarcely more than pay domestic rates. Even for those who did pay, the link between what they paid and how much the council spends would be tenuous at best. Their Charge bill might increase not because their council increased spending but because their income had gone up by a few pounds.

A banded charge would increase the incentives to leave the inner cities just as LIT would. In some parts of London a married couple on joint earnings of £15,000 would be more than five times worse off with a banded charge than with Community Charge, while someone earning a net £30,000 might pay a massive £6,000 more in Camden than in Barnet.

Banded Charge, just like LIT, would require a cross reference of tax payers' incomes and addresses which does not at present exist, and would require the retention of the unfair system of resource equalisation.

Another Variant of the banded Charge idea is that there should be only three bands (a full briefing on 'A Three Tiered Community Charge' (ENV (88) 19) is now available in the Whips' Office) : those paying income tax at the basic rate would pay the full Community Charge, those not paying income tax would pay only 50 per cent of the Charge while higher rate tax payers would pay 150 per cent of the Charge. People would assess their own liability for each of these three bands, with penalties for those who failed to do so or did so falsely.

This system would have many draw backs :

- the immense complexity of introducing self assessment - a new concept to British taxation - simply to fund one quarter of local government spending;
- the unpredictable and unintended effects on liability for the Charge which annual changes in income tax thresholds and allowances would create;
- the surcharge on higher rate tax payers would raise about £200 million a year - enough to reduce the full charge paid by basic rate taxpayers by only about £5. Yet it would mean those who had just entered the high tax bands would be penalised - by sums approaching £800 for a married man in Camden;
- it would, contrary to the Budget changes, establish liability of married women according to their husbands income;
- most of those on low incomes will be protected by the Government's rebate schemes - of up to 80 per cent;
- a new earnings trap would be created for those moving from paying no income tax to paying income tax as the Community Charge bill would double as they crossed this threshold.

This variant of the banded Charge would, therefore, be very complex to administer and would penalise higher rate tax payers. Yet it would secure minimal gains for basic rate taxpayers and would create a new earnings trap those who are below the income tax thresholds.

Nationalising Local Government Services

It has also been proposed that central government should take on the entire and direct responsibility for funding education and police and fire services - the major services which local government provides.

If central government were able to forbid local authorities to add to the resources made available to them to provide for these services, local government and local democracy would effectively cease and would be replaced by simple local administration of central funds. Such a system would, of course, reduce Community Charges to a negligible sum - which would in itself make accountability non-existent as well as irrelevant.

If, on the other hand, local authorities were to retain the right to add to central government funds for these services, there would be no essential difference from the system which the Government proposes. Central government's revenue support grant will provide almost exactly the same amount of money to local government as it needs to spend on education, fire and police. Local authorities will have the right to increase their spending on these and other services by increasing their Community Charges.

No Alternative

Mr Ridley has said of the situation : 'there is general agreement domestic rates must go - our main objective is to find the best alternative. To sum up, we are getting close to a situation of TINA - there is no alternative - no alternative to a Community Charge' (Croydon, 23rd October 1987).

G. FURTHER INFORMATION

Further information on the topics within this brief can be obtained from the following Conservative Research Department briefs, available from the Whips Office or from CRD :

The Disadvantages of Local Income Tax as an Alternative to Domestic Rates	ENV (87) 34 17.11.87
Transitional Arrangements for the Community Charge	ENV (87) 36 18.11.87
The CBI and Business Rates	ENV (87) 37 18.11.87
Publication of the Local Government Finance Bill [fact pack]	ENV (87) 40 3.12.87
Student Nurses and the Community Charge	ENV (87) 41 7.12.87
Arguments Against a Banded Community Charge	ENV (87) 46 15.12.87
Gainers under the Community Charge	ENV (88) 3 19.1.88
Labour Councils - In Their Own Words	ENV (88) 12 23.2.88
Caravans and the Community Charge	ENV (88) 15 2.3.88
National Non Domestic Rate	ENV (88) 17 9.3.88
A Three Tiered Community Charge	ENV (88) 19 28.3.88

In addition it is expected that a pack on the Community Charge - including leaflets, points for letter writers, a draft 'In Touch' and a complete set of all the figures involved - will be mailed to every constituency before Easter, by the Local Government Department.

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