PRIME MINISTER

2 March 1989

STANDARD COMMUNITY CHARGE

This is the charge which will be payable on empty property or second homes. Local authorities will have discretion to set it at between 1 x and 2 x the personal community charge in their area.

Malcolm Rifkind is concerned that most Scottish local authorities are now setting standard charges at the top not the bottom of this range, thus causing hardship to the 16,000 odd second home owners in Scotland. There will be instances of low rated country cottages facing a "rates" increase from £100 to £600. He thus seeks powers to force Scottish authorities to limit the standard charge to 1 x the personal charge, recognising though that this could not apply until 1990 ie year 2 of the community charge in Scotland.

Nicholas Ridley and Peter Walker both strongly oppose this. A concession on second homes would simply increase personal community charges (and in some rural areas this could be significant). It would be quite wrong to make such a significant change before the Community charge is even up and running. And reversing a policy clearly announced in 1986 would be a sign of weakness which would be exploited. Peter Walker, moreover, could not contemplate any move which might make second homes in Wales more attractive. And a change affecting only second homes in Scotland would not be appropriate.

They are absolutely right. The concession would be most inopportune at this stage when the community charge is not even yet up and running. Moreover such an emotive issue would play into the hands of the Government's opponents and be portrayed as a measure designed to help the rich

at the expense of the poor. Members of the Government with second homes might even be accused of seeking personal gain.

There will be well-publicised instances of massive rises in "rates" on second homes. But these can be countered by reference to the overall equity of the community charge and the fact that many second homes have for years enjoyed very low rates incommensurate with often rapidly rising values.

CONCLUSION

We recommend you endorse Nicholas Ridley and Peter Walker's views that Malcolm Rifkind's proposal should be pursued no further, and that the existing arrangements for the standard charge should be defended firmly on their merits.

John Mills

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