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MPs AND COMMUNITY CHARGE

John Wakeham's ^{attached} letter of 5 July to Nicholas Ridley needs very careful consideration, especially with regard to the position of Ministers in relation to payment of standard charge. There are also questions as to tax treatment of reimbursements.

To the extent that standard charge becomes a contentious issue in England next year, as it has done in Scotland, Minister with constituencies outside London could be potentially very embarrassed if it emerged that they were getting standard charge reimbursed. (The same goes for MPs). In my judgement there is a fair likelihood of this.

The scope of the existing ACA reimbursement is likely to widen since standard charge would arise not only on freehold second homes, but also those rented on leases longer than six months (on which it may be that rates are not now separately charged by the landlord). For some Members, the question would also arise of reimbursement of the collective charge. Thus it quite possible that the Resolution on ACA will have to be amended anyway.

The question also arises whether reimbursement of standard charge would not be a taxable benefit? I recall that this was the advice regarding reimbursement of the personal charge of those in the Chequers tied cottages. I presume that reimbursement of standard charge to MPs would fall to be treated in the same way. Advice from the Inland Revenue is obviously needed.

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What John Wakeham says about Ministers living in Crown Property seems to be misleading. If Ministers have their sole or main residence in a Crown building they are liable to personal charge in the normal way. By definition, the standard charge obligation arises on an individual (which could be the Crown) as a result of a freehold or leasehold interest in domestic property not used as a sole or main residence. I do not see therefore how a standard charge obligation could fall on a Minister by virtue of his living in Crown property.

But if what John Wakeham means is that such Ministers would have their personal charge met from public funds then that would clearly be a taxable benefit, other sensitivities apart. The justification for any such reimbursement, however, does not look strong.

Indeed, if E(LF) next week confirms the sensitivity of the whole issue of standard charge in relation to Ministers, the Prime Minister may wish to consider a self-denying ordinance upon them all so that none reclaim any standard charge under ACA.

Separately, all this prompts me to ask whether the Palace has received any guidance on these difficult subjects. The Queen apart (I think), all residents of the Palace and other Royal residences will be liable to personal charge, thus possibly giving rise to the reimbursement/taxable benefit issue. Standard charge will also arise in respect of buildings not held by the Queen in right of the Crown. There is scope for embarrassment in that the charge arising on, say, Sandringham is likely to be very significantly lower than the current level of rates. I imagine this has already happened with Balmoral.

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