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PRIME MINISTER

21 July 1989

COMMUNITY CHARGE BENEFIT

John Moore's note is timely. The Government needs to emphasise as much as it can just how extensive community charge rebates will be. This is especially important since the Government has accepted the RPI Advisory Committee's advice that rebates should be ignored in the way the RPI reflects the community charge.

There is one aspect of the benefit arrangements which is likely to cause a great outcry. This concerns the capital limit, above which no benefit is payable. It is currently £8000, the same as for Housing Benefit.

It is the same figure for a couple as for an individual. Yet community charge is a tax on individuals, and a couple's liability is twice an individual's. The effect of this will be to remove from eligibility for rebate a considerable number of couples, especially pensioner couples, who, generally, will lose from the move to community charge. There will be accusations that they will have to pay taxes out of capital. This will be very hard to defend.

This has already emerged as a contentious issue in Scotland. And you will recall the great difficulty the Government had two years ago over the capital limit for Housing Benefit, when it was forced to raise it from £6000 to £8000.

There is clearly a case for reviewing the position so that, at the very least, this is a concession the Government can have up its sleeve as the political debate about community charge intensifies. One option might be to limit it to pensioner couples as a specific way of showing commitment to that group.

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RECOMMENDATION

John Moore should be asked to consider the case for a double capital limit for couples, on the grounds that community charge is a charge upon individuals and a couple's liability is twice an individual's. A particular aim of this would be to help pensioner couples with relatively modest savings, many of who stand to lose from the community charge.

*John Mills*

JOHN MILLS

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Prime Minister

### COMMUNITY CHARGE BENEFIT

I said that I would write to you describing the way in which poorer people will be helped to pay the community charge. There is to be a Community Charge Benefit Scheme which will be operated by local authorities from April 1990. Everybody who is liable either for a full personal community charge or for collective community charge contributions will be able to claim rebate; only registered students who are exempted from 80% of their liability will be unable to claim. It will replace the Community Charge Rebate Scheme now operating in Scotland.

2. People who are on Income Support will automatically get the maximum rebate of 80% of their liability. In addition to this, they will receive help towards the remaining 20% through the adjustments we have already made to Income Support levels; these now include £1.15 for a single person aged under 25, £1.30 for a single person over 25, and £2.30 for a couple. The adjustments are now subsumed within Income Support and will be subject to the autumn uprating. The examples below show the amount of Community Charge Benefit a single person and a couple would receive with the community charge set at £300.

3. Where the community charge is below £300, everyone on Income Support will be better off. Single people under 25 and married couples will have to contribute more than the Income Support amounts where the community charge is over £300, and single people over 25 will have to contribute more where it is over £339.





Single person receiving  
Income Support

Couple receiving  
Income Support

	£	£
Community charge	300.00	300.00 each
Weekly charge	5.75	11.50
Maximum rebate (80% of liability)	4.60	9.20
20% charge to pay	1.15	2.30
Assistance from IS	1.30	2.30

4. People with incomes above their Income Support levels may be entitled to rebate of less than 80%. The amount of their rebate will depend upon their financial resources, their personal circumstances, and the amount of community charge they have to pay. The method of calculation will follow very closely the method currently used to calculate rate rebates, but it will be based on a 15% taper for income which is significantly more generous than the present 20% taper used for calculating rate rebates, and we estimate that it will increase the numbers of people receiving rebates by about 1 million.

5. Our most recent published estimate is that about 11 million people in Great Britain, about one chargepayer in four, will receive rebates on their community charge. We are reworking these estimates to take account of the revised forecasts of community charge levels published on Wednesday, and of more up-to-date demographic and financial data, and will publish them as soon as possible.

6. I am copying this letter to Cabinet colleagues.

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JM