



DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

Dominic Morris
Private Secretary
10 Downing Street
London
SW1

6 April 1990

Prime Minister²

This is the note which Tony Newton
promised to circulate to Cabinet members
after yesterday's Cabinet meeting.
DM 6/4.

Dear Dominic

COMMUNITY CHARGE BENEFIT

I undertook to let you have a table illustrating the income levels up to which Community Charge Benefit will generally be payable. This is attached.

The starting point in assessing entitlement to community charge benefit is claimant's net income; that is, income net of tax and national insurance contributions. This is compared with the so-called "applicable amount"; an amount set out in Regulations which depends on the claimant's age, marital status and number of children and which takes account of special needs such as disability. Examples of applicable amounts are given in the first column of the table.

If net income is no more than the applicable amount, the claimant receives the maximum benefit of 80 per cent of his community charge. A couple receive 80 per cent of their joint liability. If net income is above the applicable amount, the benefit is reduced by 15p for each £ of the difference ("the taper"). There are special arrangements to disregard the first £5 of income from work (£10 for a couple, £15 for a lone parent). Benefit entitlement of less than 50p a week is treated as "de minimis" and is not paid. The table shows the net income levels at which entitlement runs out - the equivalent levels of gross income before tax and NI contributions will obviously be even higher.

The first £3,000 of any savings are ignored entirely. For capital above this, we assume a notional income of £1 for every £250 of capital (the "tariff income"). This is counted in with other income and, as explained above, where the total is above the applicable amount, each extra £1 of income reduces benefit by 15p. Those with capital holdings above £16,000 are not eligible for any benefit. This way of treating capital is designed specifically to be relatively more generous to those with least resources and, conversely, to give relatively less help to those with comparatively high levels of savings.

E.R.

Key features of the system are that:

- the higher applicable amounts awarded to pensioners and couples, and to disabled people, mean that they receive help at higher levels of net income;
- the higher the charge levels, the higher the level of net income up to which benefit remains payable; and
- the overall effect of the arrangements is to give help to over 10 million chargepayers, at a cost of £2¹/₂ billion.

I am copying this letter to private secretaries to members of the Cabinet, to Murdo MacLean, and to Sonia Phippard.

Yours

Stuart

J S LORD
Principal Private Secretary

COMMUNITY CHARGE BEENFIT 1990/91

Level of net income at which full community charge becomes payable(a)

(£s per week)

Personal Circumstances	Applicable amount (b)	Number of adults	Annual Community Charge				
			£150	£250	£350	£450	£550
	£		£	£	£	£	£
Single person aged under 25	28.80	1	45.90	56.10	66.35	76.55	86.80
Single person aged over 25	36.70	1	53.80	64.00	74.25	84.45	94.70
Single person aged over 60-74	48.50	1	60.60	70.80	81.05	91.25	101.50
Single person aged over 75-80	51.10	1	63.20	73.40	83.65	93.85	104.10
Single person aged over 80	53.75	1	65.85	76.05	86.30	96.50	106.75
Married couple, no children	57.60	2	95.00	115.45	135.95	156.40	176.85
Married couple, 2 children under 11	89.65	2	127.05	147.50	168.00	188.45	208.90
Married couple, 1 child under 11 and 1 11-15	95.55	2	132.95	153.40	173.90	194.35	214.80
Married couple, 1 child 11-15 and 1 16 or 17	105.10	2	142.50	162.95	183.45	203.90	224.35
Pensioner couple aged under 75	75.55	2	102.95	123.40	143.90	164.35	184.80
Pensioner couple 1 aged over 80	81.85	2	109.25	129.70	150.20	170.65	191.10
Lone parent, 1 child under 11	66.10	1	93.20	103.40	113.65	123.85	134.10
Lone parent, 2 children under 11	78.45	1	105.55	115.75	126.00	136.20	146.45

Notes: (a) Total income (including child benefit, family credit and other benefits) less tax and national insurance. Assumes capital of less than £3,000. People under 60 are assumed to be in work and the income figure allows for the appropriate disregard (£5 for single people, £10 for couples, £15 for lone parents). Those over 60 are assumed not to be in work and no disregard is allowed for in the table. Other disregards include attendance allowance, mobility allowance, housing benefit and payments from the social fund: where any of these are in payment, they should be added to the income figures given.

(b) Maximum rebate (80 per cent) payable at this level of net income plus earnings disregard and any other disregarded amounts.