



DEPARTMENT OF THE ENVIRONMENT
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My ref P/HA/PSO/28418/90
Your ref

26 SEP 1990

Dear Mr Bray

Thank you for your letter of 22 June to the Prime Minister about the community charge. I have been asked to reply on her behalf. I am sorry you have not received an earlier reply.

The Government believes that the community charge is a fairer and more accountable method of charging for local services. Only 18 million people were liable to pay domestic rates in England, out of an adult population of 36 million. This placed an unfair burden on those who did pay and also damaged local accountability, since half of the electorate were free to vote for extra spending by their local authorities, safe in the knowledge that they would not have to meet the cost.

People who are severely mentally impaired are exempt from paying the community charge as are people who are resident in hospitals and institutions, on the basis that they cannot reasonably be expected to play a full part in society and for whom accountability cannot be expected to operate. But less severely disabled people, in particular the physically handicapped, do play a part in society and can be expected to contribute to the cost of local services. We looked again at the contrast between the mentally and physically disabled in our review of the community charge, but decided to make no changes, apart from improving the assistance given to disabled people through transitional relief.

However, help is available to people on low incomes by way of a reduction in the amount of the community charge bill. Those in receipt of income support are entitled automatically to the maximum reduction of 80%. The other 20% falls to be paid from income support, which has been adjusted to take this into account. For other people on low incomes help is available on a sliding scale with the amount of the reduction varying according to income. In calculating income for community charge benefit purposes, mobility allowance and attendance allowance are disregarded but most other disability benefits are included. Disabled people are, however, entitled to higher levels of income support because of their disability and so the threshold at which they remain entitled to a maximum reduction, and where the sliding scale of reductions begins, is higher than that for other people. Disabled people do in general, therefore, receive higher reductions in their community charge bills than others of a similar income.



In addition, extra help is given through transitional relief to disabled people facing a contribution to local services for the first time. People who were already disabled when the community charge was introduced will receive £52 extra help next year and will, additionally, keep £13 of relief which would have been withdrawn under the old arrangements. So next year they will not have to pay more than £104 plus any difference between the assumed charge in 1990-91 and the actual charge for their area in 1991-92.

You suggest a local income tax as an alternative to the community charge. Income tax is sometimes thought to be a fairer means of funding local spending than the community charge. But we considered that a local income tax would be unacceptable for a variety of reasons. It would have failed to achieve the Government's objectives of increased fairness and local accountability. The number of people paying income tax is only slightly higher than the number who paid domestic rates: only 20 million compared to 18 million in England. Moreover, if local income tax were operated as an addition to the national tax system, each person's local income tax contribution would appear as just another deduction from their payslip. Very few people would be fully aware of the cost of local services. The prospect of 400 Chancellors of the Exchequer in town halls up and down the country is not one which many people would welcome. More importantly there would be a wide variation in the local income tax bill. With 1990/91 spending levels, the average local income tax rate would need to be about 7.4p in the pound.

I hope this clarifies the situation.

Your sincerely
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