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E(LE)(86) 3rd Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

MINUTES of a Meeting held in
Conference Room A, Cabinet Office on
WEDNESDAY 17 SEPTEMBER 1986 at 5.30 pm

PRESENT

The Rt Hon Viscount Whitelaw
Lord President of the Council
(In the Chair)

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon John Moore MP
Secretary of State for Transport

Dr Rhodes Boyson MP
Minister of State, Department of
the Environment

THE FOLLOWING WERE ALSO PRESENT

Mr John Major MP
Parliamentary Under-Secretary of State
Department of Health and Social Security

Mr Michael Ancram MP
Parliamentary Under-Secretary of State
Scottish Office

SECRETARIAT

Mr J B Unwin
Mr A J Langdon
Mr J E Roberts

SUBJECT

COMMUNITY CHARGE: POSSIBLE RELIEFS AND TAX CONCESSIONS

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COMMUNITY CHARGE: POSSIBLE RELIEFS AND TAX CONCESSIONS

(Previous Reference: E(LF) (86) 1st Meeting)

The Sub-Committee considered a Memorandum by the Secretary of State for Scotland about possible reliefs and tax concessions from the community charge (E(LF) (86) 5).

THE PARLIAMENTARY UNDER-SECRETARY OF STATE, SCOTTISH OFFICE (Mr Ancram), said that the Sub-Committee had agreed at their previous meeting that the Government should start from the proposition that the community charge should be a universal obligation with no scheme of reliefs. It was clear, however, that they would come under very strong pressure from various lobby groups, and in particular those representing the disabled and charities, to introduce reliefs. If a scheme were to be introduced, a considerable amount of work would be required to define the details and it would be helpful if this could be set in hand now. He was therefore seeking the agreement of the Sub-Committee to prepare on a contingency basis a possible Government amendment to enable secondary legislation on reliefs, which could be introduced if necessary during the passage of the Bill. This would enable the Secretary of State for Scotland and him to make it clear that their minds were not closed if they were pressed on this point during the second reading.

There would also be pressure to continue into the new system the tax exemption currently available on rates paid by employers for employees required to live in tied accommodation. The National Farmers Union had made strong representations, and had estimated that if there were no tax relief agricultural workers' wages would have to be increased by about 6.5 per cent to put them in an equivalent position to that they now enjoyed. He recognised that there were wider fiscal implications, but sought agreement that the Secretary of State could if necessary give an undertaking to ask the Chancellor of the Exchequer to consider whether any provision might be made in a future Finance Bill.

In discussion the following points were made -

a. If the Government indicated they might make any concession over the reliefs for the community charge they would be under considerable pressure to extend this to a steadily wider range of groups. It was an important feature of the community charge that it would be payable by all adults, and once this principle was breached it would become increasingly difficult to defend. Moreover, local accountability, which was a key feature of the new approach, would be undermined.

b. If any concessions were made in the Scottish legislation, it would be impossible to resist doing the same for England and Wales in due course.

c. Although the form had not been agreed, there would be some means of support for those on very low incomes to pay the community charge. Many who were disabled or lived in charitable institutions would benefit from this. But equally there would be some disabled who had incomes above the level which would qualify for support but who faced particularly high living costs and would therefore be at a substantial disadvantage. It would be difficult to resist the pressure to help them.

d. As regards tax reliefs, it was wrong for a Minister to take the public position of lobbying the Chancellor of the Exchequer.

THE LORD PRESIDENT OF THE COUNCIL, summing up the discussion, said that the Sub-Committee could not at this stage agree that the way should be prepared for any scheme of exemptions from the community charge, or tax reliefs. While this decision could be reviewed in the light of subsequent decisions on whether the community charge should be rebated for those on low incomes, and in the light of the reception of the Bill in Parliament, it was an important feature of the community charge that it should be a universal obligation, and the Sub-Committee saw no case for carrying over

the existing pattern of exemptions from the rating system. Moreover, once any indication was given that concessions might be made, the Government would come under increasing pressure to extend these to wider and wider groups.

The Sub-Committee -

Took note, with approval, of the Lord President's summing up of their discussion.

Cabinet Office

18 September 1986