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FROM: CHIEF SECRETARY

DATE: 5 November 1987

CHANCELLOR OF THE EXCHEQUER

cc:
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Scholar
Mr Potter
Mr Tyrie

COMMUNITY CHARGE: TRANSITION

You asked for my views about Nicholas Ridley's revised proposals on the transition to the Community Charge contained in his draft paper for E(LF).

2 I have no doubts that many of our colleagues will be attracted by Nicholas's new proposals, since the Party view at present is in favour of early introduction and no dual running. This does mean that even if we were to win the argument at E(LF) we would have to face up to very difficult handling problems in getting a package with this transition scheme through the House of Commons. This problem is heightened because I strongly suspect that in their briefings around the country Nicholas Ridley, Michael Howard and Christopher Chope have given a very sympathetic hearing to those putting the case for rapid introduction.

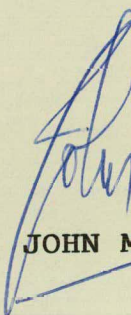
3 In essence Nicholas Ridley's proposals, subject to the comments made below on London simply introduce a qualified safety net that retains the bizarre pattern of Community Charge contributions that we saw when he put his original proposals to E(LF) in July but which does smoothe the pattern considerably. I don't like it much but I don't think we should underestimate the attraction it will have for others. Moreover it might well prove possible to smoothe the path even more.

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4 What I do not think are credible are his proposals for London. He acknowledges that immediate introduction of the Community Charge is not a possibility in the high spending London Boroughs. He rightly rejects the idea of maximum Community Charge in London because that would mean other local taxpayers or the national taxpayer directly subsidising the highest spenders. The scheme he now proposes for dual running in 10 authorities produces indefensible anomalies in personal tax bills between different parts of inner London and between Inner London and the rest of the country - and the sums involved could be considerable. Take for example the lodger in Earls Court ^{who} would face a personal bill of £391 in 1990-91 whereas in Hammersmith with dual running his bill would only be £100. A family with 3 grown-up children would face an additional Community Charge bill for those children of £1,413 in year one in Pimlico, but only £300 in Islington. I just don't see how we could defend those results. And in addition they would further undermine what is likely to be one of most vulnerable areas of the Community Charge - the enforceability of the Community Charge among the very mobile population of Inner London. I think that were we to go ahead with a scheme which incorporated these features we would in time be faced with demands that the Exchequer find more money to iron out these problems.

5 At E(LF) on Wednesday we can start by arguing that the scheme that E(LF) endorsed in July should prevail. But I think it would only be realistic to recognise that we may well not win that argument. In that case I think we have to change tack and say that any scheme of more rapid transition has to have decent and acceptable London arrangements. The present proposals are not sensible, saleable or sustainable. Therefore we cannot make a decision on the scheme now. If Nicholas Ridley wishes to produce another variation which does have sensible arrangements in London, then we will consider that. But we cannot endorse the latest set of proposals.


JOHN MAJOR

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FROM: CATHY RYDING
DATE: 5 November 1987

PS/CHIEF SECRETARY

cc Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Scholar
Mr Potter
Mr Fellgett
Mr Tyrie

COMMUNITY CHARGE: TRANSITION

The Chancellor has seen Mr Fellgett's minute of 4 November. He would be grateful, by close of play tonight, for considered views from the Chief Secretary and Mr Tyrie.

CR

CATHY RYDING

