

pmp

1. MR POTTER
2. CHIEF SECRETARY

FROM: R FELLGETT

Date: 28 January 1988

cc: PS/Chancellor  
 PS/Paymaster General  
 Sir Peter Middleton  
 Mr Anson  
 Mr Kemp  
 Mr Scholar  
 Mr Hawtin  
 Mr Turnbull  
 Miss Peirson  
 Mr Gibson  
 Mr Tyrie  
 Mr Call  
 Mr A J Walker (I/R)

~~Is Ch going → ELF  
 Show him?~~

#### COMMUNITY CHARGE: MONKS AND NUNS

Mr Ridley's memorandum for E(LF) next Thursday (E(LF)(88)1) proposes that monks and nuns wholly maintained by their Orders should be fully exempt from the Community Charge. This follows Mr Howard's earlier conversion to this option, which is now also supported by Mr Scott and Mr Walker. Only you and Mr Lang have expressed doubts about full exemption, and Mr Lang is primarily concerned about the tactics of announcing a concession rather than its substance.

2. In preparing the accompanying factual paper by officials, we have secured agreement that monks and nuns with salaried jobs, eg in teaching or nursing, would not be eligible for any exemption even if they make all their income over to their Order. This removes an anomaly in the original proposal for exemption. The remaining difference between your position and Mr Ridley's is equivalent to only about £¼ million a year loss of revenue. In the circumstances, you may wish to write round before the E(LF) meeting to say that you are prepared to accept the majority view of colleagues. Little, if any, time need then be spent on this topic at the meeting.

## Options

3. Mr Ridley's memorandum and the paper identify five separate options, but only two now seem to make practical sense. The first would be to grant automatic 80% relief to monks and nuns (like students); as monks and nuns with salaries would be excluded this would be financially similar, but administratively much easier, than making rebates available. In practice, the remaining 20% cost would be borne by the Order, as monks and nuns have no individual income separate from the collective income of their Order. In effect, although not necessarily in name, the Community Charge would be paid collectively.

4. The second option is full exemption, ie 100% relief. Mr Ridley favours this because monks and nuns would have to pay even 20% of the charge collectively rather than individually, which would not promote accountability; and because income support recipients are helped to pay their 20% contribution whereas monks and nuns would not be eligible for income support.

5. Against this, we might argue that:-

(i) the purpose of the Community Charge is to raise tax revenue, and not just promote accountability, and full exemption would cost about £¼ million a year more than 80% relief;

(ii) Orders will probably be able to finance 20% of the Community Charge out of their savings on domestic rates. (The Carmelite community described in the officials' paper will save some part of £1,200 a year when domestic rates are abolished, whereas 20% of the Community Charge for its members would be £900).

But with only £¼ million at stake, it does not seem worth pressing these points in E(LF). Scottish Office officials say that Mr Lang is likely to feel that the issue is not worth much further debate.

### Timing of an announcement

6. Mr Ridley would like to announce full exemption immediately, but to announce any other decision later. He does not explain why. It would be much better, as Mr Lang wrote earlier, to delay any announcement. That would avoid giving the impression that the Government generally favoured concessions. If you write as I suggest, you might mention this, while acknowledging that the Parliamentary tactics in handling the Bill are, of course, primarily for Mr Ridley.

### A definition

7. A robust definition of monk or nun maintained by their Order will be needed, which includes Catholics, Anglicans and Buddhists, but excludes Moonies, Hari Krishna devotees and monks and nuns with salaries. It will also need to be straightforward for relevant sections of the public and for local authority Community Charge Registration Officers to operate, and safe from legal action. As yet no such definition is available. But it would be needed under any option, so there is little point in delaying a decision or announcement until a definition has been devised.

### Conclusion

8. If you agree that there is no need to take this issue to E(LF), I recommend that you write quickly to colleagues along of the lines of the attached draft.

9. ST agree.

*Robin Fellgett*

R FELLGETT

DRAFT LETTER FOR THE CHIEF SECRETARY'S SIGNATURE

To: Secretary of State for the Environment

COMMUNITY CHARGE: TREATMENT OF MEMBERS OF RELIGIOUS ORDERS

I have seen your memorandum for E(LF) next Thursday (E(LF)(88)1) proposing that monks and nuns wholly maintained by their Order should be fully exempt from the Community Charge. In the hope that we can avoid spending much time on this issue on Thursday, I thought it would be helpful to write and let you <sup>and other</sup> colleagues know my reactions beforehand.

I am pleased that the proposals now recognise that any exemption or other relief should not apply to monks and nuns who have their own income, eg as salaries from teachers or nurses, even if they make all their income over to their Order. This will avoid the anomaly of treating a nurse or teacher who is also a monk or nun quite differently to his or her professional colleagues.

On this basis, I feel that it would be best to offer 80% exemption (like students). It would be administratively much easier than rebates of up to 80%, which the vast majority of other monks and nuns could be expected to get.

Compared to your preference of 100% exemption, this has the advantage of raising about another £¼ million a year in revenue; like any other tax the main purpose of the Community Charge is surely to raise revenue as well as promote accountability. And we could argue that Orders, who will no doubt have to pay the 20% contribution because their income is held collectively rather than individually by their members, will probably

be able to finance this out of their savings when domestic rates are abolished. I see that the Carmelite community described in the officials' paper will save some part of £1,200 a year from the abolition of domestic rates, whereas 20% of the Community Charge for its members would be £900.

The difference between 80% exemption and 100% exemption is, nevertheless, a small sum compared to the amounts of money we normally have to consider in our discussions of local government finance. If, therefore, you and a majority of colleagues favour full exemption for monks and nuns, I do not propose to press a contrary view in E(LF) on Thursday.

As to the timing of an announcement, my preference would be to leave this as long as possible. Now that teaching or nursing monks and nuns are excluded from the exemption, there will be less direct read-across to other groups arguing for special treatment. But, although tactics on the Local Government Finance Bill are primarily for you and Peter Walker, I think there is a strong argument against appearing to give the impression that the Government is inclined to react to pressures in the House by making concessions.

I am copying this letter to the Prime Minister, to colleagues on E(LF), and to Sir Robin Butler.

[J.M]

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cc:  
 PS/Chancellor  
 PS/PMG  
 Sir P Middleton  
 Mr Anson  
 Mr Kemp  
 Mr Scholar  
 Mr Hawtin  
 Mr Turnbull  
 Miss Peirson  
 Mr Potter  
 Mr Fellgett  
 Mr Gibson  
 Mr Tyrie  
 Mr Call  
 Mr A J WALKER

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London  
 SW1P 3EB

29 January 1988

*Dear Secretary of State,*

**COMMUNITY CHARGE: TREATMENT OF MEMBERS OF RELIGIOUS ORDERS**

I have seen your memorandum for E(LF) next Thursday (E(LF) (88) 1) proposing that monks and nuns wholly maintained by their Order should be fully exempt from the Community Charge. In the hope that we can avoid spending much time on this issue on Thursday, I thought it would be helpful to write and let you and other colleagues know my reactions beforehand.

I am pleased that the proposals now recognise that any exemption or other relief should not apply to monks and nuns who have their own income, e.g. as salaries from teaching or nursing, even if they make all their income over to their Order. This will avoid the anomaly of treating a nurse or teacher who is also a monk or nun quite differently to his or her professional colleagues.

On this basis, I feel that it would be best to offer 80 per cent exemption (like students). It would be administratively much easier than rebates of up to 80 per cent, which the vast majority of other monks and nuns could be expected to get.

Compared to your preference of 100 per cent exemption, this has the advantage of raising about another  $\frac{1}{4}$  million a year in revenue; like any other tax the main purpose of the Community Charge is surely to raise revenue as well as promote

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accountability. And we could argue that Orders, who will no doubt have to pay the 20 per cent contribution because their income is held collectively rather than individually by their members, will probably be able to finance this out of their savings when domestic rates are abolished. I see that the Carmelite community described in the officials' paper will save some part of £1,200 a year from the abolition of domestic rates, whereas 20 per cent of the Community Charge for its members would be £900.

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I am copying this letter to the Prime Minister, to colleagues on E(LF), and to Sir Robin Butler.

*Yours sincerely,*

*John Major*

PP JOHN MAJOR

*(Approved by the Chief Secretary +  
signed in his absence).*