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CH/EXCHEQUER	
REC.	08 MAR 1988 2/3
ACTION	CST
COPIES TO	

7/3/88

Prime Minister

THE COMMUNITY CHARGE: MEMBERS OF RELIGIOUS ORDERS

E(LF) agreed on 4 February that there should be an exemption for members of religious orders who were wholly maintained by their order. I am writing to set out my proposals for implementing this decision.

I do not propose to limit the exemption to Christian orders. We have received representations from some of the Buddhist organisations, and I take the view that it would be difficult to justify excluding people of that religion following a genuinely monastic life.

I propose that to be exempt an individual would have to pass two tests. First he would have to be a member of a religious community whose principal purpose was dedicated to prayer, contemplation, the relief of suffering or such other activity as may be prescribed. Secondly he would have to be wholly dependent on the community for his material needs, having no income or capital of his own. Income would include social security benefits.

There is a difficulty over monks and nuns who work in employment such as teaching, and whose salary is covenanted to their order. We had intended that in such cases the individual would not be exempt, and that his salary should be covenanted to the order net of his community charge liability. I am advised, however, on the basis of general principles of law that income which is covenanted is the property of the covenantee from the outset, and the person making the covenant has no rights in respect of it or access to it. I am also advised that covenants net of an unspecified amount are not possible.

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In these circumstances the monk is, in fact, unpaid; and would have no way of meeting his community charge liability. If that liability were met by anyone at all it would have to be met by the order (who would have no legal obligation in the matter). It was to avoid this happening that we sought the exemption in the first place. I propose, therefore, that monks who covenant their income to their order should also be exempt, on the grounds that the income is never actually theirs.

I do not think that there is likely to be a great deal of difficulty with fringe and pseudo-religious groups. The second test - which requires the members to cut themselves off from benefit and to divest themselves of all income and capital - will prove a strong deterrent. Coupled with the need to mount a convincing case that one is a member of a religious order it would be very difficult indeed for people other than those living a genuinely monastic life to qualify. I would propose, however, to retain a regulation-making power to refine the definition if experience showed that some adjustment was necessary.

Decisions on whether an individual qualified for the exemption would initially be for the community charge registration officer (CCRO), subject to appeal by the Valuation and Community Charge Tribunal (VCCT) and (on a point of law) to the Courts. There are likely in practice to be few difficult decisions. In cases of doubt I would expect the CCRO to decide against exemption and for the matter to be tested on appeal if necessary. Verifying the poverty part of the definition could give rise to difficulties; but we cannot avoid having this as part of the definition, since it is the poverty of monks and nuns which was the basis of our decision to exempt them. In practice it will be for the members of the order to demonstrate to the satisfaction of the CCRO that they qualify for the exemption.

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There may be attempts by members of local authorities to bring pressure on CCROs to exempt members of certain groups. Here again the difficulty of the poverty test will help to avoid abuses; and we must take the view that CCROs are professional people who would act professionally in applying the statutory definitions for this exemption, and would not be influenced by improper pressure.

I should be grateful for colleagues' agreement to our proceeding on these lines by 14 March. This approach has been developed in the light of informal contacts with representations of the Churches and other religions. I would propose to consult fully with them before bringing forward amendments to the Bill.

I am copying this letter to members of E(LF) and to Sir Robin Armstrong.

A handwritten signature in black ink, consisting of a stylized 'N' and 'R'.

N R

7 March 1988

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1. MR POTTER <sup>BF 11/3</sup>  
2. CHIEF SECRETARY

FROM: G F DICKSON  
DATE: 11 March 1988

cc: PS/Chancellor  
PS/Paymaster General  
PS/Financial Secretary  
Sir P Middleton  
Mr Anson  
Mr Phillips  
Mr Scholar  
Mr Hawtin  
Miss Peirson  
Mr Turnbull  
Miss Sinclair  
Mr Gibson  
Mr Burns  
Mr Tyrie  
Mr Call  
Mr A J Walker (IR)

*papers Pse*

*M*

*BF 18/3*

COMMUNITY CHARGE: MONKS AND NUNS

The Secretary of State for the Environment has now written to the Prime Minister with detailed proposals for the exemption of members of religious Orders from the Community Charge. Most of the points are in accord with the discussion at E(LF) on 4 February. But, contrary to the position reached at E(LF), Mr Ridley now proposes that those monks and nuns with an income should also be exempt from the Community Charge. We recommend that you oppose this change to agreed policy.

Background

2. The E(LF) memorandum specifically excluded monks and nuns with salaried employment from the proposed exemption. In your letter to Mr Ridley of 29 January, you supported this on the basis that the Government should avoid treating nurses or teachers who are also monks or nuns, differently from their secular colleagues. But this line has been overturned in Mr Ridley's latest proposal. The DOE argument is that most working members covenant their income to their Order and therefore effectively have no income. It was the view of DOE lawyers that monks and nuns could not make the covenant net of the Community Charge and that the Order could not be required to meet the charge on their behalf.

## Assessment

3. We recommend you oppose the proposed exemption from the Community Charge for salaried monks and nuns for two reasons.

i) DOE appear to have got the facts wrong: we are advised by the Inland Revenue (who are the experts on the law on covenants) that there would be nothing to stop monks and nuns agreeing with their Order to change their existing covenant and taking out a new one, which would covenant all their income net of their Community Charge. Any competent solicitor should be able to advise them on drawing up a covenant which was acceptable to the Revenue. Mr Ridley's advice was also mistaken when he says that covenanted property is the property of the covenantor from the outset; the Revenue advise that covenant payments must be made out of funds available to the covenantor. The main objections in Mr Ridley's letter are therefore invalid.

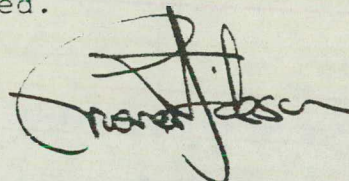
ii) Secondly it would create a new class of person exempt from the Community Charge - salaried employees. Every other able-bodied adult who works will have to pay a Community Charge. Allowing this exception would break the firm distinction previously made.

4. There are, in addition, practical reasons why the proposal is unnecessary. The E(LF) memorandum states that Orders have in effect a contract with their members to maintain and house them and the members are therefore treated as having no other need in respect of which to claim benefit. It is now argued that the Order need not pay a Community Charge, on the members behalf, as part of that unwritten contract, even though the member has covenanted all their income to the Order. In practice most Orders would pay; it is unlikely that problems would arise between members and their Order.

5. Since Registration Officers will have to determine which inhabitants of Orders qualify as monks and nuns, there is no further great difficulty in determining which monks and nuns are wage earners. They are likely to be more honest and cooperative than most groups.

#### Recommendation

6. I suggest you write to Mr Ridley reminding him that the exemption was specifically designed to ease the burden on religious Orders. Where they have income from members there is no burden. To exempt salaried monks and nuns seems both unnecessary and undesirable because it would lead to invidious comparisons. The line on exemptions was drawn at a defensible point by E(LF), where no salaried employee is to be exempt; that line should not be moved. A draft letter is attached.



G F DICKSON

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## DRAFT LETTER TO:

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

## THE COMMUNITY CHARGE: MEMBERS OF RELIGIOUS ORDERS

I have seen a copy of your letter of 7 March to the Prime Minister setting out your proposals for the exemption of members of religious Orders from the Community Charge.

2. The definition you propose for individuals is comprehensive and I am pleased that it should exempt only members of bona fide religious Orders. But I cannot support your proposal to exempt from the Community Charge members of religious orders who work in the community and have an income. As you recognise, this would be a concession beyond the position reached at E(LF) last month.

3. I believe that it would be a damaging concession. If we allow members of religious orders who have an income to be exempt from the Community Charge, we will be creating a new class of salaried employees as exempt persons. Many will be working in schools and hospitals alongside secular colleagues who might have identical income yet be required to pay a full Community Charge. That would lead to invidious comparisons and make it much more difficult to defend the line on politically sensitive cases like student nurses. We must avoid such anomalies if possible.

4. But I wonder whether your proposed concession is even necessary for the reasons of legality you cite in your minute. The Inland Revenue have advised me that members could agree with their Orders to change their covenants. The Order would then receive the income remaining after the member had paid their Community Charge. The form of words would have to be acceptable for the covenant to be valid; but this is something on which a competent solicitor could advise.

5. Our agreement to make exempt wholly maintained members clearly eased the burden on religious Orders. They will ~~no longer pay domestic rates~~ and most of their members will not have to pay a Community Charge. Where a member has an income there is no greater burden on the Order, if the member pays the Community Charge out of that income, than there is on any secular household.

6. We drew the line on exemptions in a sensible place at E(LF); and there is no new argument for extending it into a salaried class. Our objective in making a concession to religious orders was fulfilled without extending it in the way you now propose. I therefore believe that you should reconsider this proposal.

7. I am copying this letter to members of E(LF) and Sir Robin Butler.

(JOHN MAJOR)



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REC.	14 MAR 1988 ✓ 14/3
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10 DOWNING STREET  
LONDON SW1A 2AA

~~BF 16/3~~  
any other recent pp on this?

From the Private Secretary

14 March 1988

M.

Dear Roger,

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

The Prime Minister was grateful for your Secretary of State's minute of 7 March, setting out his detailed proposals for the exemption for members of religious orders from the community charge.

The Prime Minister is doubtful about one aspect of your Secretary of State's proposals, namely the exemption from the charge for monks and nuns who covenant their income to their religious order. She has noted that, although legal advice is that income which is covenanted is the property of the covenantee from the outset, it is for the covenantor in the first instance to decide to make that arrangement. The Prime Minister also wonders whether accepting the principle that someone who covenants should be exempted might have wider undesirable repercussions; for example if a person covenanted their whole income to a child, a third person or a charity could they then be eligible for social security benefit?

The Prime Minister would therefore be grateful if your Secretary of State could give further consideration to this aspect of the proposals.

I am copying this letter to the Private Secretaries to members of E(LF) and to Trevor Woolley (Cabinet Office).

Yours,

Paul

(PAUL GRAY)

Roger Bright, Esq.,  
Department of the Environment.

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~~Alex~~  
See X. We never  
wrote in to suggest  
wind surfing in



28/3

H/EXCHEQUER	
28 MAR 1988	
CST	
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Prime Minister

THE COMMUNITY CHARGE: MEMBERS OF RELIGIOUS ORDERS

28/3/88

I am grateful for colleagues' responses to my minute of 7 March.

I accept that the exemption should not extend to salaried monks and nuns who covenant their income to their order. I now understand that there are ways in which such covenants could be made net of community charge liability, and that the Churches themselves have indicated that they would not press for such an exemption.

X I am happy, as Peter Walker suggests, to include education in the list of activities which would qualify members of a religious community for exemption, provided, of course, that salaried teachers were excluded.

Malcolm Rifkind has suggested that it would be better if the "principal occupation" test applied to the community rather than the individual. I accept that this would greatly reduce the practical problems for community charge registration officers, who would almost certainly have adopted this approach in any event. I do not think, however, that we can link the poverty test to the rules of the order. We have received representations from members of Buddhist communities who objected to references to "rules" on the grounds that poverty for Buddhists was more a matter of fact than of rule. Where the community in question does have a rule of poverty it should not, in practice, be difficult for CCROs to establish which members of the community are bound by it. Other cases may provide some difficulties, but they will be few and far between.

I now propose to arrange for amendments to the Bill to be drafted in line with my proposals, subject to the changes mentioned above. The amendments would be introduced in the Lords. I propose



also to write to the Cardinal Archbishop of Westminster, which I undertook to do when the Government had come to a decision, explaining the effect of our proposed exemption in general terms. In order to minimise the likelihood of non-Government amendments on the subject at Commons Report stage, I also propose to announce the decision by way of a written answer, in terms of the attached draft.

Since this now meets colleagues' concerns, and in view of the need to move quickly with Report Stage approaching, I propose to issue the written answer and write to Cardinal Hume before the House rises for the Easter Recess.

I am copying this minute to Members of E(LF) and to Sir Robin Butler.

A handwritten signature, likely of the Secretary of State, consisting of a stylized 'R' followed by a flourish.

N R

28 March 1988

DRAFT INSPIRED PQ

To ask the Secretary of State for the Environment whether he proposes to exempt members of religious orders from the community charge.

DRAFT ANSWER

The Government proposes to table amendments to the Local Government Finance Bill which will have the effect of exempting from the community charge members of religious orders the principal occupation of which is devoted to prayer, contemplation, the relief of suffering, <sup>education</sup> or such other activities as may be prescribed. The exemption will be limited to those who are dependent on their communities for their material needs, and who have no income or capital of their own.