

CONFIDENTIAL.

CEB



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The Rt Hon Malcolm Rifkind MP
Secretary of State
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

My ref:

Your ref:

6 April 1987

Dear Secretary of State,

NRM

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL: TIED HOUSES

I have seen a copy of your letter of 31 March to Nigel Lawson about the treatment for taxation purposes of community charge payments made by employers on behalf of employees living in tied houses.

I am sure it would be helpful, as you suggest, to be able to confirm in the Lords that such payments would be treated as a business expense of the employer which may be set against tax, provided that they are made as part of an employee's contract of service.

I am equally sure that we must not make any concession on the treatment of such payments, from the employee's viewpoint, as a taxable benefit. By definition the community charge is a personal liability, unrelated to the property occupied, and it would be a significant breach of this principle to grant a concession to employees living in tied cottages. I fully support, therefore, your resolve to maintain a firm line on this point.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nigel Lawson, other members of E(LF), Michael Jopling and Sir Robert Armstrong.

Yours sincerely,

Nicholas Ridley

PR NICHOLAS RIDLEY
(Approved in draft by the Secretary of State and signed in his absence.)

LOCAL GOVT. - Rating Pt 6