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for E(LF) meeting folder,
23/4.

Prime Minister

COMMUNITY CHARGE: EXEMPTIONS AND RELIEFS

A meeting of E(LF) has been arranged for 23 April, under your chairmanship, to discuss various proposals for exemptions and reliefs from the community charge. I have a close interest in this matter, as there is likely to be irresistible pressure for any concessions that are made on the Abolition of Domestic Rates Etc (Scotland) Bill to be carried over to the England and Wales Bill next Session. It may be helpful for me to set out my views now.

The main justification for introducing the community charge is that it will make local authorities more accountable to those who elect them, and who use local services. It seems to me that any exemptions we make must therefore be based already on a judgement that, for those groups of people, accountability cannot operate.

This applies to the two exemptions we have made so far, for convicted prisoners and long-term hospital patients. Similar considerations apply to the mentally handicapped, and I think we could justify agreeing to an exemption for them. Officials will need to look carefully at the definition, and the administrative arrangements.

John Major has suggested that all those resident in homes and hostels should be exempt. I cannot agree with that. It would be unsustainable, for example, to treat old people in homes more favourably than those who are being looked after by relatives. Moreover, John himself has admitted that "many residents of homes and hostels are capable of exercising their voting rights". For those who are not, an exemption for the mentally handicapped would achieve the same result.



We must certainly not give ground on those who live in tied houses: there is no reason why farm workers or vicars should pay less than everyone else. Where an employer chooses to pay the community charge on their behalf, we have already announced that it would be an expense against tax for the employer, and a taxable benefit for the employee.

Nor is there any case for exempting students. British students are one of the groups that most need to appreciate that public services cost money, and have to be paid for. Foreign students use local services while they are here, and it seems improbable that the community charge will be more than a small proportion of their overall living and tuition costs.

The virtue of the community charge is its universality. Widespread exemptions would greatly detract from the benefits the new system will bring. While I accept the case for exempting the mentally handicapped, therefore, I feel very strongly that we must not go further than that. If the Government is defeated in the Lords on the Scottish Bill, I think we must make clear our intention of restoring the position at the next legislative opportunity.

I am copying this minute to Willie Whitelaw, members of E(LF) and to Sir Robert Armstrong.

Rhys I.

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NR

10 April 1987

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