

CONFIDENTIAL

PRIME MINISTER

24 July 1987

COMMUNITY CHARGE: TRANSITIONAL ARRANGEMENTS

You are meeting to discuss Mr Ridley's latest proposals on the transitional arrangements for moving towards the Community Charge. You will recall that at the last meeting, it was agreed that there should be dual running of rents and Community Charge for a transitional period and that there should be a safety net but that the safety net might be withdrawn over a shorter period than Rates.

Mr Ridley proposes that the safety net and the Rates should be withdrawn at the same rate and that the transitional period should be the same in each area. This has the advantage of simplicity and clarity though the transitional period will be shorter or longer than ideal in some areas.

Length of Transition

Mr Ridley's paper gives the example of the effects in a number of areas in three, four, and five year transitional periods with starting Community charges of £50 and £100. The "three adult household" example ought to be ignored since the Community Charge is a personal charge and joint and several liability will only apply to married and cohabiting couples.

We cannot avoid the transitional period spanning the next General Election. But it seems highly desirable that the Community Charge should be fully in place before the one after that. This suggests a 3 or 4 year transitional period so that in 1995-96 there is no sharp change.

Mr Ridley proposes a three year period in order that the charge should be in place in full before the 1994 local elections in Greater London. However, even with a four year transitional period, electors in Inner London will have experienced most of the effect of high spending policies and the transition will be somewhat smoother.

Level of Initial Charge

We prefer a £50 initial Community Charge because this would create a smoother transition in all but about 30 areas and enable the Government to say that the additional charge in most areas would be £50 a year or less.

Conclusion

We recommend a four year transitional period with a £50 Community Charge.

Peter Stredder

PETER STREDDER

Comm Charge

Dist. of rent

91-95

87 - 91 - 95

91 94