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SUBJECT CC MASTEL

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From the Private Secretary

11 April 1988

### COMMUNITY CHARGE REBATES

The Prime Minister held a meeting this afternoon to discuss community charge rebates. Those present were the Chancellor of the Exchequer, your Secretary of State, the Lord President and the Chief Whip. The meeting considered your Secretary of State's letter of 7 April about the Mates amendment and the Chancellor's reply of 11 April.

Your Secretary of State said he had concluded that some change to the rebate arrangements should be introduced. The Mates amendment had become the focus for concern amongst back-benchers about the combined impact of the various changes being introduced via the social security reforms and the introduction of the community charge. But the Mates amendment was badly targeted on low income earners, and your Secretary of State had put forward the alternative package in his letter of 7 April of a reduction in the slope of the community charge rebate taper from 20p to 15p, and a £10 increase in the earnings disregard.

In discussion the following main points were raised:

- (i) Any increase in the earnings disregard would have a major read-across to and adverse repercussions for the social security changes. Considerable credit had been taken for the proposed simplification whereby a common earnings disregard would apply for different benefits. Now to change the disregard for the community charge would create strong pressures to raise the disregard for the rent element of housing benefit and for income support. The same objection did not however apply to the proposal to modify the slope of the community charge rebate taper.
- (ii) Officials were still discussing the precise costs of the proposed change in the slope of the taper to 15p in the pound. In public expenditure terms there would however be a nil cost if a small amount was added to all community charge bills to finance additional rebates for the less well off.

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*This would  
put a heavier  
burden on those  
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and cause new  
problems*



- (iii) It had now emerged that the Mates amendment as presently drafted would not be in order; because of the substantial extra work implied for the Inland Revenue it required a Ways and Means Resolution. It was understood that Mr. Mates was considering ways out of this difficulty, for example by placing the responsibility for assessing information about community charge payers' incomes on local authorities rather than the Inland Revenue.
- (iv) Further consideration was being given in a group of officials chaired by the DHSS to the implications of the decision taken in the 1987 Public Expenditure Survey to raise the housing benefit rent taper from 65 per cent to 70 per cent in 1989-90. The results of that work, which would involve looking at other options for yielding comparable housing benefit savings, would be for separate Ministerial consideration at a later date.
- (v) Careful thought would need to be given to the timing of any announcement of a change to the proposed community charge rebates. It would be desirable to avoid giving precise details until the debate on 18 April; and this would be possible because any change to the rebate taper would be implemented via regulations rather than requiring any amendment to the Bill. But it would be desirable, possibly on 14 April, to give some indication to back-benchers that a change to the rebate arrangements would be made.
- (vi) Careful attention should also be given to the presentation of the terms of any change to rebates. This would need to be put in positive terms and in easily comprehensible layman's language.
- (vii) Any change to the community charge rebates would not apply to the rebate arrangements for local authority rates during the period prior to the introduction of the community charge. Careful consideration needed however to be given to whether any change to the community charge rebate system planned for England and Wales from 1990-91 should be introduced on the same date in Scotland or with effect from 1989-90 when the Scottish community charge regime started. The Department of Health and Social Security and the Welsh Office also would need to be involved in discussions of any changes to the community charge rebate arrangements.

Summing up the discussion the Prime Minister said that it was agreed that there should be no increase in the earnings disregard for the community charge. Some concession would however be appropriate in the slope of the community charge rebate taper, with an amount being added to all community charge bills to finance additional rebates for the less well off. Your Secretary of State and the Chief Secretary should

consider further a range of options for changes to the taper. They should also arrange for the Scottish Office to be consulted, in particular about the implementation date for any change in Scotland, and also for discussion with the Department of Health and Social Security and the Welsh Office. Your Secretary of State should also give further thought to the presentation of the proposed revised rebate taper arrangements that resulted from these further discussions. No indication of the possibility of a change to the rebate arrangements should be given before Thursday 14 April; and precise details should not be given before the debate on Monday 18 April. Meantime your Secretary of State would advise on the line the Prime Minister might take if this subject was raised at Question Time on Tuesday 12 April.

I am sending copies of this letter to Alex Allan (H.M. Treasury), Alison Smith (Lord President's Office) and Murdo Maclean (Chief Whip's Office).

PAUL GRAY

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Department of the Environment.