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My ref:

Your ref:

Paul Gray Esq
Private Secretary to
The Prime Minister
10 Downing Street
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Prime Minister²

14 April 1988

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Dear Paul

COMMUNITY CHARGE REBATES

Following this morning's discussion at Cabinet, I enclose a copy of the statement which my Secretary of State will be issuing this evening and on which he will be drawing at the meeting of the Conservative Backbench Environment Committee.

The substance of the statement is also to be incorporated in an Answer, also to be given at 5.30pm this evening, pursuant to an earlier PQ from Eric Forth MP. I would be grateful if recipients of this letter could ensure that the confidentiality of the statement is be observed until then.

Copies go to Alex Allen (Chancellor of the Exchequer's Office), Jill Rutter (Chief Secretary's Office), Alison Smith (Lord President's Office), Murdo Maclean (Chief Whip's Office), Geoffrey Podger (DHSS), David Crawley (Scottish Office) and Jon Shortridge (Welsh Office) and also to Trevor Woolley (Sir Robin Butler's Office).

Yours sincerely
Roger Bright

R BRIGHT
Private Secretary

COMMUNITY CHARGE - HELP FOR THOSE ON LOW INCOMES

The Government has today announced new and improved arrangements for the reduction of community charges paid by people on low incomes. These will reduce community charges for some one million people who would have paid charges in full. It will reduce further the charges paid by another 4 million people eligible for rebates of up to 80%.

Under the Government's existing proposals, all those receiving income support - the successor to supplementary benefit - will have their rates, or in future their community charge bills, reduced by 80%. So they will pay only 20% of the community charge for the area in which they live. In addition, their income support will include an amount to help meet the 20% charges that they do have to pay.

Those with incomes above the income support level will also be eligible for rebates of up to 80% according to their circumstances. In 1988/89, with domestic rates, the amount of their rebate is reduced by 20 pence for each £1 increase in their income. The Government has now decided that, when the community charge is introduced, rebates should be calculated on the basis of a lower 'taper', of 15 pence for every additional £1 of income. This means that the amount of community charges of those on low incomes will rise more slowly as their incomes increase. Their rebate will be reduced by only 15 pence for every £1 rise in their net earnings above the income support level.

This reduced taper will come into effect when the community charge is introduced - in Scotland in 1989 and in England and Wales in 1990.

Four million people will receive the maximum 80% reduction. If a 20% taper had been used for the community charge, about a further 4 million people would have received reductions of up to 80%. With a 15 pence taper, rebates will extend further up the income scale. One million additional adults will have

their community charge bill reduced. About 9 million people will pay reduced charges, and about 5 million people with incomes above the income support level will have larger reductions in community charge than they would have had with the 20 pence taper.

Of these 5 million, about three quarters are people who do not pay income tax.

This improvement in the rebate proposals achieves a better targetted result than the New Clause I proposal for a 50% community charge for those who do not pay income tax. But it does so by a simpler and much less bureaucratic route, with no anomalies, and one that avoids the earnings trap which New Clause I would produce. It does not require an amendment to the Local Government Finance Bill.

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will pay reduced charges, and about 5 million people will
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reductions in community charge rates than they would have had with
the 20 pence rate.



Of these 2 million, about 1 million will pay income tax.

The improvement in the rebate for those who do not pay income tax is
estimated to be about 10% of the rebate for those who do not pay income tax. This
community charge for those who do not pay income tax is
done so by a different method than the standard one, with an
anomaly, and one that avoids the anomaly. It does not result in a
Class 1 would produce. It does not result in a
the Local Government Finance Bill.