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FILE: SRW

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Policy Unit

MPs AND COMMUNITY CHARGE

In your minute of 6 July you argue that there could be controversy if MPs have their standard charge reimbursed. You describe this as "a fair likelihood"; it seems to me that it is almost bound to happen in most cases. My understanding is that MPs, other than London MPs, can claim ACA in respect of either their London home or their constituency home. Domestic rates are one of the costs allowed. I understand this is not taxable because it is treated as the reimbursement of an expense rather than the payment of a taxable benefit. MPs are, of course, paying rates in respect of their main residence.

It seems to me that the standard charge simply replaces rates in this system. For those on short leases there is a difference in that the rent and the standard charge are disaggregated whereas they are lumped together at present. In theory the total should not change.

One nuance not brought out in the Lord President's letter is that if an MP and his wife both come to London in the week and then both return to the constituency at the weekend they will pay two community charges and one standard charge. If their practice is that the MP comes to London in the week and his spouse stays in the constituency all week and he returns at weekends they will pay one community charge in each location. This, of course, could be a considerable saving. I would argue that they should not be allowed to claim against ACA the personal charge levied in whichever is designated as the second home. I conclude therefore that, either by legislation, or by self-denying ordinance, no personal charge should ever be claimable against ACA but that standard charges should be.

On Crown property I think your explanation is clearer than the Lord President's.

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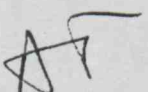
I will check the position in relation to the Royal Palaces. I know there is a difficulty on the Royal Estates where the agricultural workers are employed on terms which are net of rates. In order to leave their employees net pay unchanged the Estate has to increase pay not only by the amount of the personal charge but by that amount grossed up for tax. In addition the Estate may need to do the same for the worker's wife as well.

The issue of standard charges is on the agenda for E(A) on Tuesday. Could we have a word on Monday about whether to advise the Prime Minister to raise this. Could you in the meantime check with the Lord President's Office:

(i) that ACA can be claimed in respect of either the London or constituency home;

(ii) that it is not treated as a taxable benefit at present and that reimbursement of the standard charge would not be either; and

(iii) that where the MP and spouse live apart in the week there is no question of claiming the personal charge at the second residence.



(ANDREW TURNBULL)

6 July 1989