



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

2 October 1985

NBP at this
stage

DLW

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attached

Thank you for your letter of 30 September about the problems of enforcing a residents charge.

We have always accepted that any system which taxed people rather than property would entail greater enforcement problems and that the problems would be greatest in inner city areas with their greater numbers of mobile and poor people.

Nevertheless, I think you overstate the problem involved in administering the residents charge. You do not take enough account of the collective residents charge, outlined in Annex 4 to the Second Specification Report, which will cover many houses with mobile populations, where the landlord - and not the tenants - will be liable. Nor do you recognise that local authorities will still be administering housing benefits and that for many of the people you are most concerned about, failure to make themselves known for the residents charge will automatically mean loss of rent rebate.

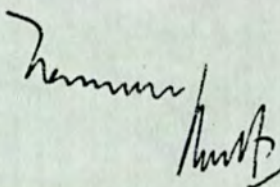
We will inevitably have to rely to some extent on individuals making honest declarations. This, of course, is not unprecedented. Those claiming housing benefit are already asked to declare any non-dependents within the household - and have their benefit reduced to take account of non-dependent contributions. Local authorities prosecute those who fail to declare non-dependents. Our system will, of course, extend that obligation to all households not just those claiming benefit. But it is not a radical departure from current practice.

I appreciate your comments about the courts; and I accept that they may be reluctant to impose heavy fines on those with limited means. We do not therefore rely on heavy fines to deter people from making false declarations - although we believe they should be available in the appropriate cases. We must therefore try to encourage local government to develop effective enforcement programmes, recognising that they will not start with a blank sheet of paper and that they have large amounts of information about those who live in their area from various sources. Where those procedures identify individuals who have failed to register 2 issues arise; first the issue for the criminal courts of whether to prosecute for failing to register (remembering that the primary duty to register will lie on the householder); and, secondly civil proceedings to recover the debt subject to any benefit entitlements. There are well tried procedures for recovery of rates already and these should be equally effective in the new system.

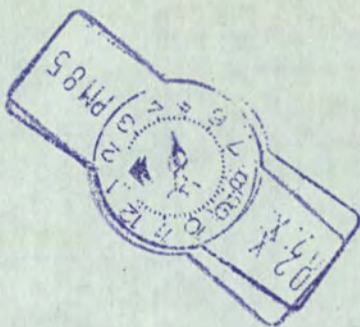
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I appreciate the difficulties, particularly in inner city areas of collecting taxes. These difficulties apply to central and local agencies. It is even more difficult to collect rates there than in the rest of the country. While we must take full account of these problems we must remember they are confined to a few authorities and a few areas in those authorities. I am grateful to you nonetheless for setting out your specific concerns. I understand that there will probably not be the opportunity to discuss the local charge issues at E(LF) this Thursday. My officials have already arranged to discuss with yours these and other problems. I hope, therefore, that we should be in a position to have a substantive discussion at a subsequent meeting of the Committee.

I am copying this letter to the Prime Minister, to other members of E(LF) and to Sir Robert Armstrong.



KENNETH BAKER



The Rt Hon Douglas Hurd MP