

Poll-hit Thatcher seeking revisions

OPINION POLLS left Margaret Thatcher in no doubt that her decision to scrap the residential property tax was unpopular. And in council elections on May 3, her fears came true in the ballot box, with the loss of hundreds of Conservative seats to the Labour Party.

The British government now plans to modify the Poll Tax, which is a flat charge on everyone in a council's jurisdiction irrespective of income or wealth.

The British premier claims that rebates for low-income people are more generous than under the old property tax (called rates), but the public was not convinced. Riots occurred in some cities as councillors met in their chambers to fix the Poll Tax rates for the coming year.

Reaction against the government was strongest in Scotland, where the changes were implemented last year. Over 350,000 people have been issued with warrants for failure to pay the tax: the sheriffs' officers are beginning to sell people's household goods, to pay the fiscal debt. Upwards of one million warrants may have to be issued,



• Margaret Thatcher

Political and economic torpedoes are sinking Margaret Thatcher's flagship. IAN BARRON reports.

in the end, to force people to pay.

The contrast with the property tax is remarkable. Two per cent of Scotland's property tax payers defaulted, compared with 17% of Poll Tax payers in the Lothian region, and 22% in another Scot-

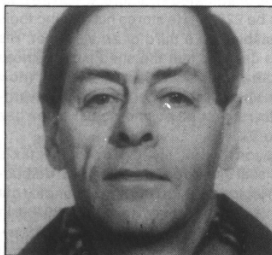
tish region.

Observers now believe that, along with the high interest rates policy adopted by the government because of the land price boom that began in 1985, the Poll Tax is likely to cost the Tory government the next general election.

THE economics of the Poll Tax are also disturbing. The Royal Institution of Chartered Sur-

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COUNT ME OUT



• Neil Ascherson

NEAL Ascherson, one of Britain's leading newspaper columnists, declares he will not pay the Poll Tax. He explained in *The Independent on Sunday* (March 11):

"Mrs Thatcher's poll tax is the East African sort. She remains the great social engineer — the last Leninist — who proclaims that she can change people's souls by changing their modes of production, and she means this tax to produce far more than cash.

"She wants it to do three things:

to centralise state power even further at the cost of elected local government; to assure the well-off and rich that in the eyes of the state greater wealth no longer implies greater responsibilities; and to force people — women especially — into low-wage employment.

"And I object to all three of those aims. All taxes are to some extent unfair, except for the single tax on the value of unimproved land beloved by the followers of Henry George."

veyors has urged landowners to reduce rents or increase the wages of employees who live in "tied" housing, but this is not a popular message among urban landlords.

Shelter, the housing charity, estimates that landlords made a £40m profit in Scotland when the Poll Tax was introduced. And in London alone, landlords could net £90m in the next 12 months.

The effect of the Poll Tax is complex.

• House prices are being distorted: some prices are going up, because occupiers will make a net saving as a result of the change. But other prices are going down. For example, says the RICS, "If there is a significant variation in the Community Charge (the government's preferred term for the Poll Tax) among neighbouring authorities, there will be a hardening of the market where the Community Charge is high, and



• Mildred Gordon

a softening of the market in lower-charged areas."

• The Retail Price Index is also being raised. The effect will be short-lived, but comes at a particularly bad time for the government, which has pinned its credibility on the ability to control inflation.

• The labour market is also upset. Trades unions are demanding higher wages to compensate for the tax. Wages deals are already being settled around the 9% mark, much to the consternation of the Confederation

of British Industry (CBI), which claims that rising wages will trim industrial jobs by 50,000 this autumn.

The director-general of the CBI, John Banham, says employees ought not to seek higher wages to offset the tax. "Just because mortgage rates or government taxes go up, it does not mean that employers have any extra money available to subsidise them" he declared, ignoring the strictures of the classical economists who warned that such taxes are passed on to consumers through higher wages.

MRS THATCHER now hints that she will introduce changes to the Poll Tax, but no-one believes she will abandon what she calls her "flagship" policy.

The whisper in Westminster is that Tory grandees may spend the summer plotting, and then inform the Premier that, for the sake of the party, she ought to go. The chances are that she will not

ANOMALIES GALORE

THE POLL tax is not supposed to be a levy on property, but a charge on each person over the age of 18 who benefits from the services provided by councils. Yet...

• Westminster Council has decided to levy a double rate on owners who leave their properties empty — while they are unavoidably detained as Her Majesty's guests. People on the outside, and living in the London borough, will pay £194.99. People on the "inside", and not living in the borough, will pay £389.98. A spokesman for the Prison Reform Trust said:

"It is outrageous. Prisoners from Westminster are going to be expected to find £7.50 a week out of their earnings, which may be as low as £1.60 a week."

• Mr and Mrs Sydney Poole died within days of each other in January, 1989. Their bungalow in a picturesque Devon village was not sold. So their family has been ordered to pay the £700 poll tax for which the elderly couple would have been liable, if they had remained alive.

here was no argument about whether 40 people in a

small community in South Wales were liable for the Poll Tax. They lived in a teepee village, and were deemed to be exempt from the charge under a section of the law intended to cover down-and-outs. But there's a catch: the teepee dwellers have now been told to move along.

• Lionel Eavis has the most expensive shed in the land. The property tax on the dilapidated structure, which he built 30 years ago, used to be £28.77. He stores his digging tools in it, and grows vegetables on a third of an acre plot. His council in Dorset has decided that the shed is a business premise, on which the property tax is still payable (now called the Uniform Business Rate, because central government now sets one tax rate for all businesses). His tax has more than trebled, to £104.

• A historic justification for a locally-levied property tax is that an independent fiscal base is essential for local democracy. In the Central Region of Scotland, for example, the property tax raised 51.1% of the money spent in 1988/89. In the last fiscal year, however, the Poll Tax raised 19.7% — increasing the dependence upon funds from central government.

accede to such a proposal without a fight.

The long knives will emerge and scapegoats sought. The first question that will be asked is this: Whose idea was it, anyway? Answer: right-wing theoretician Douglas Mason, a Scottish politician associated with the Adam Smith Institute. He is reported as stating:

It was ludicrous that services were paid for on the basis of the size of the house you lived in and where it was situated."

So he floated the idea of the "community charge" – a subtle version of the Poll Tax invented by Richard II. The original invention led to heads rolling into baskets.

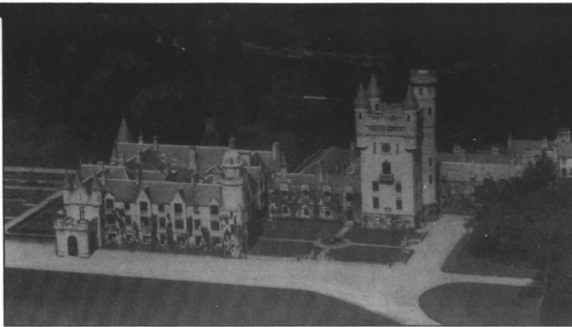
Labour MPs are wondering whose head will roll now. One of them, Mildred Gordon, says she will refuse to pay the Poll Tax and suffer the consequences – a popular stand among the voters.

In the run up to the next election, a major debate will ensue over alternatives. Opinion polls suggest that almost 40% of voters favour a return to the old property tax, which was levied on the notional rental value of a house.

The Labour Party, which is now running well ahead of the Conservatives in public popularity, has yet to formulate an alternative. It says it may relate a new tax to the capital value of people's homes, but modify the levy on the basis of incomes.

Receiving more attention in the media, these days, is an alternative strategy: a tax that falls exclusively on the value of land, which is part of the policies of the Liberal Democrats.

Writing in *The Financial Times* (March 30), Frederic Jones, a professor at the University of Wales, pointed out that "I see no reason why, when full site-value rating is operative, part of the



• Balmoral: Poll Tax charges made the Queen £5,700 better off

ROYAL SAVINGS

THE WORLD'S wealthiest woman, Queen Elizabeth, is richer because of the Poll Tax.

Under the British constitution, she is exempt from this tax. And by abolishing the property tax on her homes, she has enjoyed a major saving.

• Last year she saved £5,698 on her 50,000 acre Balmoral estate in Scotland.

• This year she will save over £12,000 on her Sandringham estate in Norfolk.

• In all, the Queen and the rest of the royal family will save over £50,000 a year.

So for the first time in history the Queen will be exempt from taxation. Explained a Whitehall spokesman: "As it is a personal tax, the Queen does not have to pay the Community Charge."

The anomalous nature of the new local tax is indicated by the fact that other members of



• The Queen

the rich royal family are now going to pay less than their employees.

Take the case of Prince Charles. His butler, Harold Brown, will pay £15 more than the prince. This is because he lives at Kensington Palace and will pay the charge of £278 to Kensington and Chelsea council.

The prince has decided to make Highgrove his official residence for poll tax purposes.

He will pay £263 a year to Stroud Council!

For constitutional reasons, the Queen is not allowed to express her views on fiscal policy. But some idea of her attitude emerges from the revelation that she has agreed to pay higher wages to cover the Poll Taxes of her staff. However, Buckingham Palace employees will not benefit: for their wages are paid by the government out of the Civil List.

Nor is the government getting any help from royal warrant holders who are hampered by the new Uniform Business Rate.

Harrod's the Queen's favourite store in Knightsbridge, paid a property tax of £1m last year.

This year, it will pay a "monstrous" £8.3m – the fault, principally, of the failure of previous governments to regularly revalue property for tax purposes.

impost should not be returned to central government to alleviate income tax, from which we would all benefit."

Ironically, that policy ought to

have attracted strong sympathy from Margaret Thatcher. But she has turned down the idea, and says she will stick with the Poll Tax.