

Labour  
Not Sent

18

PRIME MINISTER

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PAY, PENSION, EXPENSES, TAX

I do not suppose the money has been the most powerful of the incentives propelling you to No. 10, but for the record you might like to know what you are entitled to.

Pay

As Prime Minister you receive £53,007. Mrs. Thatcher did not take the excess over a Cabinet Minister's salary. Mr. Major took his salary in full. I see no reason for you not to do the same.

In addition you receive as an MP three-quarters of the MP's rate which comes to £23,227, making a total of £76,234.

Expenses

As an MP you are entitled to the full Office Costs Allowances which you can use to employ a constituency secretary.

As Prime Minister, the costs of entertainment in your official capacity are met from the No. 10 budget which also covers such things as gifts exchanged on official visits.

But you will find that there are a lot of costs which are not borne by the office but which you will incur simply by virtue of being Prime Minister. You will spend a lot more on clothes than if you were a private citizen. Mrs. Kinnock likewise, especially for formal occasions. There will be a lot of people working closely with you to whom you may want to give presents. You want to give a dinner or party for staff who leave.

There is no expenses allowance as such to meet such costs but we have an understanding with the Treasury and Inland Revenue on the basis on which such costs can be claimed as an expense against tax.

Under S191 of the Income and Corporation Taxes Act 1970, the Prime Minister is relieved of the obligation to negotiate detailed expenses claims each year with the Inland Revenue. Instead you are asked to keep a record of your expenses under broad headings, clothes, spouses clothes, gratuities, gifts. Each year (I suggest just after the end of each financial year) I present that to the Permanent Secretary to the Treasury who authorises it as falling within S191 of ICTA. It is then sent to the Revenue for action. There is no specific limit. It was last set at £8,000 by the TSRB in 1979. The Treasury have agreed that we should work to £15,000 but we should revise it either way in the light of experience.

There is a separate brief on the flat and who pays for what. You are charged no rent nor are taxed on the value of the free rent. You are not charged for heat, light, water and repairs but in completing a tax return you (or an accountant on your behalf) will need to agree a figure with the Tax Inspector for the value of those services and you will be taxed on that.

The basis for this tax charge is what PSA estimate the cost of providing these services would be for a flat of this size, subject to a maximum of 10 per cent of the Prime Minister's salary. In practice the former is likely to exceed the latter so it would be the latter which would operate. In short, your salary will be taxed on the basis that it is 10 per cent higher than it is. In calculating this figure account is taken of any expenses which are allowed.

#### Pension

You are entitled to a pension of 50 per cent of the Prime Ministerial pay on leaving office provided you do not receive another salary from the Consolidated Fund, eg. as Leader of the Opposition. You can also claim a second Office Cost Allowance to enable you to meet commitments and engagements arising as a former Prime Minister.

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You can opt to remain in the Parliamentary Contributory Pension Fund basic scheme (but not the supplementary Ministerial scheme) for service after 28 February 1991. This is related to the abated MP's salary. The contribution rate is 6 per cent.

Contributions for service before 28 February 1991, or for all service if you decide not to remain in the PCPF are repaid to you, plus interest at 4 per cent less tax at 20 per cent, on leaving office.

Poll Tax/Council Tax/Rates

I attach a note which sets out the basis of charge for poll tax and council tax. A return to rates may modify the position if the liability is made to rest with the owner of the property (PSA) rather than the resident.

AT

ANDREW TURNBULL

3 April 1992

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My ref  
Your ref

## **POLICY IN CONFIDENCE**

Barry Potter  
PS/Prime Minister  
10 Downing St  
London SW1A 0AA

27 March 1992

Dear Barry,

### **BRIEFING FOR AN INCOMING PRIME MINISTER**

Thank you for your letter of 18 March.

From April 1993, on the basis of present legislation, the community charge will be replaced by the council tax. The advice below would need to be revised were an incoming Government to make significant changes to the council tax, or to legislate for an alternative.

#### Principles of liability

The community charge and council tax liabilities of a new Prime Minister and his wife will depend on where each of them is solely or mainly resident ("resident"). A person can only be resident at one dwelling at any given time. Neither the Prime Minister nor his wife will be able to elect to have their residence at a particular address. In determining where someone is resident the local authorities concerned will take into account not only the dwelling at which they spend the majority of their time, but where they keep most of their possessions and where they believe their home to be. Authorities also take into account where a person's family is resident. As a result they usually take spouses to be resident at the same address. However where special circumstances apply they are sometimes persuaded otherwise.

An incoming Prime Minister and his wife would each be liable for the personal community charge wherever they were resident. They would be liable for the standard community charge on any private dwelling they owned in which no-one was resident.

From 1993 they would be liable for the council tax on any dwelling in which they were resident, and on any other home they owned in which no-one was resident. A full council tax bill will be payable in respect of any dwelling with two or more residents. Where there is only one resident, a 25% discount will apply; where there are no residents there will be a 50% discount.

The likely alternatives

The following paragraphs set out the likely alternative positions so far as the flat at Number 10 and any private residence are concerned.

If both the Prime Minister and his wife were resident at Number 10, but they retained a private home in which no-one was resident, they would be liable for the personal community charge in Westminster and the standard charge at their private address(es). (For these purposes only, children under 18 are counted as residents, so that a dwelling where all the residents are children attracts no charge at all). From 1993 the Prime Minister and his wife would be liable for a full council tax bill on the Number 10 flat and a 50% bill at their private address(es).

If the Prime Minister and his wife both remained resident at their private home, their only liability would be for the personal charge there. The Government would make contributions in lieu of the standard community charge in respect of Number 10. From 1993 the only liability of the Prime Minister and his wife would be for the full council tax at their private home. The Government would make contributions in lieu of the council tax in respect of Number 10, which would be subject to a 50% discount -on the assumption no one else was resident.

If the Prime Minister were resident at Number 10 but his wife's residence remained at their private home (or vice versa) each would be liable for the personal community charge in the relevant area, and no other liabilities would arise. From 1993 they would be liable for 75% council tax bills at both addresses, assuming that no-one else resided at either.

Chequers and "downstairs" at Number 10

We understand that no-one is "resident" at Chequers. The standard community charge would be payable by the Chequers Trust, therefore, unless the Prime Minister becomes resident there. Regardless of the occupation of the flat at Number 10, the Government will continue to make contributions in lieu of non-domestic rates on the working areas there.

Action required

The Prime Minister and his wife will need to ensure that they are registered for the personal community charge wherever they are resident. However there would be no obligation to provide any information under the council tax except at the request of the local authorities concerned.

Please let me know if you require further clarification.

*Yours  
Phillip*  
Phillip Ward  
Private Secretary