



NBPM
MS 22/4

Treasury Chambers, Parliament Street, SW1P 3AG

Private Secretary to
The Rt Hon Lord Hailsham of
St Marylebone PC CH FRS DL
Lord Chancellor
House of Lords
LONDON SW1A 0PW

22 April 1983

Dear Mr. Staff,

MOTOR MILEAGE ALLOWANCES FOR JUDGES

You wrote to Ros Dunn on 21 March explaining the Lord Chancellor's concern about the possible adverse consequences for Circuit Judges in the proposed two-tier scheme of motor mileage allowances, and reiterating the disquiet felt by the Council of Circuit Judges about the abolition last year of the "one-third" rule.

The abolition of the one-third rule derived of course from an Inland Revenue ruling that the money paid under it was taxable since it represented a contribution to home-to-work travel - a category of expense which the Revenue does not regard as tax deductible. The Revenue could of course have simply been allowed to tax this element in the motor mileage allowance on the grounds of achieving parity of treatment between taxpayers generally. In the event, however, it was decided to offset the abolition of the one-third rule by enhancing the standard rate of allowance itself by 8½ per cent - that being the estimated percentage of motor mileage costs as a whole accounted for by the one-third rule. Although there is inevitably an element of rough justice in such a solution, it was not thought that civil servants or Judges had any real grounds for complaint.

The proposal to introduce a two-tier mileage allowance is designed to bring the arrangements more closely into line with the realities of motoring costs. The present rate - 24.9p a mile (subject to review from 1 April 1983) is open to criticism in the case of high mileage users because it includes an allowance for depreciation which becomes progressively less defensible as the mileages involved increase. The Minister of State (C) was glad to note from your letter that the Lord Chancellor does not challenge

MANAGEMENT IN CONFIDENCE

the principle of the proposals we are making. A lot obviously turns on the detailed arrangements which emerge - and the arguments for particular levels of cut-off or particular rates for follow-on mileage payments are by no means clearcut. He hopes, however, that the present detailed proposals - essentially for a 10,000 mile cut-off and a 15p per mile follow-on rate - will prove acceptable as a reasonable, and indeed not ungenerous, compromise between the interests of the individual and the need to demonstrate that we are not, by these arrangements, giving uncovenanted tax-free benefits to those concerned. I should add that the Revenue were already beginning to question the defensibility of the old system on these grounds. The Minister hopes that the proposed new arrangements will be both acceptable to them and proof against public challenge.

I am copying this letter to the recipients of yours.

Yours,

Michael Corcoran

M E CORCORAN
Private Secretary

22 APR 1983

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HOUSE OF LORDS,
SW1A 0PW

NBPM

MMS 22/3

*With the Compliments of the
Lord Chancellor's
Private Secretary*



HOUSE OF LORDS,
SW1A 0PW

21st March, 1983

Mrs. R.M. Dunn,
Private Secretary to
Mr. B. Hayhoe, MP
Minister of State,
HM Treasury,
Treasury Chambers,
Parliament Street,
London,
SW1P 3AG.

Dear Mrs. Dunn,

Motor Mileage Allowances for Judges

The Lord Chancellor is concerned about the possible adverse consequences for Judges of the proposed two-tier scheme of mileage allowances mentioned in the paper attached to your letter of 3rd March to Michael Scholar.

Recently the lower judiciary, particularly the Council of Circuit Judges, have made strong representations about the adverse effects of recent changes in mileage allowances; the abolition of the so-called "one third" rule caused considerable upset. As the result of their strength of feeling, officials here recently suggested to the Treasury that in future the civil service rules on mileage allowances, which were first applied to judges in 1971, should be applied rather more leniently. As currently applied, those rules may soon begin to discourage judges from travelling to courts other than their principal courts because they are not always entitled to reimbursement for the full distance travelled. Particularly on the larger Circuits, it is important that judges should travel, in order to use available judicial manpower efficiently.

The proposed two-tier scheme would adversely affect about 30 judges, with a saving to the Exchequer of about £15,000 per annum. But the effect on judicial morale of this further attempt at cost saving would be disproportionately large. The Lord Chancellor supports the principle behind the two-tier scheme (which would adversely affect 400 or so County Court Bailiffs employed by this Department) but hopes that the Minister of State will agree that it need not extend to the Judges.

I understand that in the past the TSRB have not considered questions about judges', as opposed to MPs', allowances to be part of their remit and that it is unlikely that the TSRB will make specific recommendations about judges' mileage allowances on

the basis of the paper attached to your letter of the 3rd March. The Lord Chancellor accepts that the Minister of State may wish to await the TSRB's report, but trusts that a decision will be made soon after the report has been received.

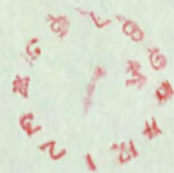
I am copying this letter to the recipients of yours.

Yours sincerely,

D. E. Staff

D.E. Staff

Parliament
members, P75
MP's Day!



22 MAR 1983