



Prime Minister

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To note.

HLS 20/11

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

*ms*

TAXATION OF FRINGE BENEFITS

*see pt 4 file*

In my minute of 3 February I referred to my proposal to change the method of taxing car benefits from 6 April 1982. Instead of being taken into account in the PAYE code, the value of car (and petrol) benefits was to be included by the employer in taxable pay. The purpose of this was to save Inland Revenue staff.

2. The Inland Revenue have produced draft Regulations covering the details of the scheme and held a number of meetings with employers' representatives. In the light of employers' reactions I have now decided that it would be unwise to proceed with the implementation of those Regulations and have asked the Inland Revenue in consultation with employers to look again for ways of reducing their staff costs in this area. This decision will be announced in reply to a written Parliamentary Question [the proposed text is attached].

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*Jim Rutter*

PP (G.H.)

17 November 1981

Seen and approved by the  
Chancellor of the Exchequer  
and signed in his absence

TEXT OF PARLIAMENTARY QUESTION

Con - Hertfordshire South West

MR RICHARD PAGE: To ask Mr Chancellor of the Exchequer, what are the cost savings to the Inland Revenue of changing the basis of collecting tax on car and fuel benefits to PAYE and how these savings are made up.

REPLY

The proposals in the Finance Act 1981 requiring employers to apply PAYE to car and car fuel benefits from April 1982 would have made possible a reduction in Inland Revenue staff numbers of about 150. However, in the light of a number of representations received about the difficulties the regulations would have created for employers the Government have decided to postpone the introduction of any change for one year. Amending legislation to this effect will be included in the next Finance Bill. The Inland Revenue will continue to discuss with employers' representatives ways of overcoming the problems that have been identified and of achieving worthwhile staff savings in this area.

