

cc AD
AU.

(2)

Prime Minister



To note.

MUS 26/11

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

PRIME MINISTER

TAXATION OF BENEFITS IN KIND - FREE PETROL

- see P.E.S.

In my minute of 8 July I told you of my proposal to bring all petrol provided for directors and higher-paid employees into charge to tax from April 1982. Legislation providing for a scale charge was included in this year's Finance Act.

2. As I told you last week a related proposal to require employers providing car and petrol benefits to apply PAYE directly aroused strong opposition from employers' representatives and I have decided to postpone for a year any change in the method by which tax on these benefits is collected. Now, after further consideration, I have decided that it would be wise to postpone also the introduction of the scale charge on petrol. This is partly because, without the proposed change in the method of collection, little or none of the 1982/83 tax could have been collected in that year, and partly because to attempt to collect that tax even in later years under the existing method would have entailed additional staff costs at a time when it is a major part of our strategy to cut Civil Service numbers. Indeed the proposed change in the method of collection was conceived primarily as a cost-cutting measure.

3. I am sure both these decisions will be welcomed by employers, particularly the Institute of Directors and the CBI, and I have asked them to co-operate with Inland Revenue officials in the search for new, economical methods of taxing these benefits.

(G.H.)

24 November 1981



Treasury Chamber, Parliament Street, W.P.F. 340
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TAXATION OF BENEFITS IN KIND - FIVE PERCENT

... I have decided to change the year by change in the
method by which tax on these benefits is collected. Now, after
further consideration, I have decided that it would be wise to
postpone this the introduction of the scale change on petrol.
This is partly because, without the proposed change in the method
of collection, little or none of the PAYE tax could have been
collected in each year and partly because to attempt to collect
that PAYE tax in each year under the existing method would
have meant that the PAYE tax would have been collected in each
year of the period to one civil service number. Indeed the
proposed change in the method of collection was conceived originally
as a transitional measure.

I am sure that these decisions will be welcomed by employers,
particularly the Institute of Directors and the C.I.T. and I have
asked them to cooperate with Inland Revenue officials in the
search for any additional methods of taxing these benefits.

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