



Agree?

Yes not.

TL

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

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PRIME MINISTER

TAXATION OF BENEFITS IN KIND : FREE PETROL

In my minute of 3 February I told you of my proposals for changes in the taxation of fringe benefits. I deal here with a benefit which I did not refer to in that minute, the provision of free petrol.

2. The benefit of a company car is taxed by reference to a scale (which I propose to increase by 20 per cent with effect from April 1982). Where petrol is also provided free by the employer and used for private as well as business purposes, the value of the benefit may or may not be chargeable, depending upon the method used for providing it. The Revenue are advised that, where the employer contracts with a filling station to supply petrol to his employees (without the use of a voucher) or where he allows employees to use a pump on his premises, they cannot tax the value of the petrol. But, whatever the legal position, there is no doubt that - (a) the practice of providing free petrol has grown considerably over the past few years and (b) to tax it on the basis of the actual amount provided for the employee's private use would impose a substantial administrative burden on many employers and a heavy staff cost on the Revenue.

3. In my Budget Speech last year I referred to the growing practice of employers providing petrol and said that I should be bound to contemplate action this year if the practice continued to spread at anything like its present rate. There is certainly no evidence that the practice has diminished over the past year. It is estimated that of the employers who



provide company cars some two-thirds provide free petrol and that some 50 per cent of employees with company cars get their petrol free.

4. I do not think that we can allow this to continue unchecked. It is unfair to those who pay for their own petrol, and to leave it untaxed would be contrary to our declared intention to encourage employers to remunerate in cash rather than kind. I propose therefore that we should ensure that petrol provided for the private use of higher-paid employees and directors is brought into charge to tax with effect from April 1982. The Inland Revenue will in the meantime consult interested parties with a view to finding a method of achieving this, e.g. through some formula or scale, which will cause employers (and the Revenue) as little extra work as possible.

If you agree, I shall announce our intention in the Budget Speech.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

6 March 1981

KW



10 DOWNING STREET

From the Private Secretary

9 March 1981

The Prime Minister has considered the Chancellor's minute of 6 March about free petrol. She agrees with his proposal to announce in the Budget Speech that this will be brought into charge to tax with effect from April, 1982.

L. P. LANKESTER

A J Wiggins, Esq
HM Treasury