

cc Martin Sel
CF *P.A.*

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON THURSDAY 23 AUGUST 1979

Present

- Prime Minister
- Nigel Lawson
- Ian Gow
- David Wolfson

The Inland Revenue Press Release and Consultative Document on Car Tax as Perks

1. The Prime Minister was concerned that neither she, the Paymaster General nor the Chief Press Secretary at No. 10 had received a copy of these documents in advance for either comment or information. She felt that documents of this nature must in future be seen before a decision on publication was made.

2. The documents, because of paragraph 2 of the Press Release and paragraph 12 of the Consultative Paper, suggested that significant action was likely to be taken in the near future. As a matter of principle the Prime Minister felt that significant taxation changes should be done through the Budget rather than by Order.

3. The Prime Minister was concerned that, for the million or so people with a company car, earning less than £8,500 the effect of the sort of changes envisaged in the paper would be to wipe out the gains they had made from direct taxation reductions in the Budget. In addition, these people would have the burdens of increased indirect taxation.

4. The Prime Minister wished a statement to be made as soon as possible emphasising that no action of any significance would be taken by Order. The possibility of suggesting that the changes in taxation would only apply next year to those on, say, £12½ thousand or above, who have made significant gains from direct tax reductions, might be considered.

5. The Prime Minister wished to discuss this with the Chancellor immediately on his return next week.

D.W.



INLAND REVENUE Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3X]

17 August 1979

THE TAXATION OF CARS AND PETROL AS BENEFITS IN KIND

1. With the approval of Treasury Ministers, the Inland Revenue have prepared a paper on the taxation of cars and petrol as benefits in kind, with a view to consultation with the motor industry and other interested bodies. Copies are available on application in writing or in person to the Public Enquiry Room, New Wing, Somerset House, London WC2R 1LB.
 2. Very briefly, the paper covers the following topics -
 - a. the amount - and the timing of the introduction - of a realistic scale for car benefits;
 - b. other ways in which the system of taxing car benefits could be improved;
 - c. administrative problems which might be involved in the introduction of a specific charge on the provision of petrol and oil; and
 - d. the possibility of abolishing the earnings threshold for the taxation of these benefits and of deducting tax at source in respect of them.
 3. Views on changes in the car scales should be conveyed in writing by 19 October, and on the other matters raised in the paper by 31 December, to the Secretary, Inland Revenue, Room 46, New Wing, Somerset House, London WC2R 1LB.
-