

DRAFT LETTER FROM THE PRESIDENT TO THE CHANCELLOR OF THE
EXCHEQUER

We held today our first meeting of the President's Committee since the Treasury issued the recent Consultative Document on the Taxation of Car Benefits.

We had a very full discussion of the document: and I attach a list of those who were present at the discussion. As a result, I was asked to write to you as soon as possible to let you have the Committee's views.

These can be summarised as follows :

1. The Committee fully supports and endorses the Government's objective of driving for a situation where, as far as possible, all those in employment are paid wholly in money rather than benefits for their work which then leaves employees with the choice as to how they spend or save that money.

2. That means that benefits in kind as part of the terms of employment should be reviewed with the aim at the very least of their drastic reduction. But this should be a comprehensive review of all those benefits, some of which have grown up in the last few years due to the difficulty of adequating rewarding key people, because of high personal

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tax rates on the one hand, and a succession of pay and incomes policies on the other. Company cars (which are often part of an employee's tools of trade, for example, for a salesman), are only one of those benefits. There are, as you know, many others - insurance schemes, concessionary travel, subsidised meals, and index linked pensions - to take but a few examples.

3. The Committee fully understands that the document on company cars is a Consultative Document, but a move on cars alone in the manner suggested in that document would be seen by businessmen as much too narrow an approach to what is now a broad and complex subject. The proposals could if implemented have a profound effect on the UK car industry - a point which is not even mentioned in the Consultative Document: and they will in no way spur on to greater efforts those middle managers who will see the taxation benefits which they derived from your first Budget being quickly swallowed up by these proposals.

4. What is done on the tax front must be seen to be right and fair: and moving on the one part of this front alone is not and will not be seen in that light by business generally.

The CBI endorses the Government's objective of reducing

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perks. We shall of course respond in detail to the Consultative Document. But I think that it would help greatly if you could at this stage assure us that, notwithstanding the Consultative Document, the Government does not intend to move on the question of cars without having undertaken a very much more comprehensive review of the whole question of benefits in kind.