



Treasury Chambers, Parliament Street, SW1P 3AG
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The Rt. Hon. Paul Channon MP
Secretary of State for Trade and Industry

**TAXATION OF FRINGE BENEFITS - COMPANY CARS AND FREE FUEL
FOR PRIVATE MOTORING: 1988-89**

As in recent years I am writing to interested colleagues about my proposals in advance of the Budget announcement.

I propose to announce that for 1988-89 the car benefit scale will be increased by 10 per cent. This is in line with the increase for the last three years and continues our policy of gradually increasing the charges to a more realistic level.

As for last year there will, however, be no increase in the car fuel scale which is being pegged at the 1987-88 level. This is because the car fuel scale has already reached a realistic measure of the value of this benefit. As I announced last year, this scale will also be used (from April 1987) for VAT purposes.

The main scales for 1988-89 resulting from these proposals are summarised below (1987-88 figures for the benefits scale in brackets):-

	Car Benefits	Car Fuel Benefits
	£	£
1400cc or less	580 (525)	480
1401cc - 2000cc	770 (700)	600
More than 2000cc	1210 (1100)	900
£19,250 - £29,000	1595 (1450)	Scale for relevant engine size applies
More than £29,000	2530 (2300)	

These proposals will be the subject of Treasury Orders during the summer.

I am copying this letter to the Prime Minister, and to Peter Walker and John Moore.

NIGEL LAWSON