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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000The Rt Hon Norman Tebbit MP
Secretary of State for Trade & Industry
Department of Trade & Industry
1 Victoria Street
London SW1H 0ET

18 March 1985

*Dear Secretary of State,***TAXATION OF FRINGE BENEFITS - CARS AND PETROL**

In recent years I have written to you a day or so in advance of publication of new scales for measuring these benefits.

In my Budget Speech tomorrow, I propose to announce for 1986/87 overall increases for both sets of scales of about 10 per cent. This is in line with the increase for 1985/86 and continues our gradualist policy of increasing the scales towards more realistic levels. I hope in particular that it will reassure those in the motor industry who have expressed concern about our longer-term intentions.

The scales proposed for 1986/87 are
(1985/86 in brackets):

	Car Benefits	Fuel Benefits
1300cc or less	£450 (410)	£450 (410)
1301 - 1800cc	£575 (525)	£575 (525)
Over 1800cc	£900 (825)	£900 (825)
£19,250-£29,000 (£17,500-£26,500)	£1,320(1,200)	not applicable
Over £29,000	£2,100(1,900)	" "

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

I am copying this letter to the Prime Minister, Peter Walker and Nicholas Ridley.

*Yours sincerely,**Margaret O'Hare*

NIGEL LAWSON

*(approved by the Chancellor
and signed in his absence)*