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BUDGET - SECRET

The leaks have made the task of gaining a good press for the budget ~~the~~ more difficult.

Early reaction has centred on condemning the widening of the VAT base: a tax on newspapers & fish & chips is just too much for the media to stomach.

Opinion on attacking institutional savings & supporting the direct saver/investor is more divided.

Hasn't this strengthened the case for taxing investment income accruing to pension funds? The VAT extensions could then be reduced to avoid the most sensitive issues, & extra revenue would be available to lower the PSBR further and raise income tax thresholds. There would be opposition on the grounds that pension fund tax pre-empt's Norman Fowler's enquiry but it could be ~~combated~~ combatted & would be unlinked.

Could you discuss the presentational problems on VAT with Nigel tomorrow?

John Redwood