

E.R.

SECRET

Copied to Mr. Kew

FEB

5.3.

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PRIME MINISTER

VAT ON NEWSPAPERS

You may have seen the attached leader in today's Mail reacting adversely to the idea, canvassed in The Guardian, that VAT is to be imposed on newspapers.

This is only a foretaste of things to come if VAT is indeed extended to the press.

It is not simply that this will set Fleet Street against you - and this will aggrieve Murdoch, Harmsworth and Matthews (who account for 10 on the whole well-disposed newspapers). But it will make critics of the local and regional press who are almost entirely on your side.

It may be objected that Fleet Street could afford to pay VAT if only it would sort itself out. That is no doubt true and I have very little sympathy or patience left with Fleet Street.

But that is still not a good reason for setting Fleet Street against you. Look what happened to Mr Macmillan.

I have much more sympathy for the local and regional press who have done far more to break down union opposition to new technology. They remain, however, in difficulty partly because of the activities of free newspapers who are creaming off the advertising cake.

I am profoundly concerned lest you set potential or actual supporters against you or give them a grievance and I hope you will reflect on the damage it could cause you.

Robin - please show to N.L.

B. INGHAM
2 March 1984

SECRET

Daily Mail COMMENT

Whitehall talk of a new tax on knowledge

2 March 1984

A LAUGHABLE suggestion is emerging from Whitehall that the Chancellor is contemplating imposing 15 per cent. VAT on newspapers.

Clearly we must declare an interest in this. However, it is not only the interest of ourselves, but of all newspaper readers and all who believe in a free Press.

All governments of modern times have acknowledged that it is wrong to tax knowledge. And that is precisely what this would do.

Apart from the matter of principle, there are many technical reasons why this would be a particularly difficult and expensive tax both to collect and to administer. It seems barely credible that Nigel Lawson (himself a former Fleet Street City Editor) should make such a radical departure from accepted practice without full consultation with those concerned.

Of course, this could be just another pre-Budget trial balloon—launched to see which way the wind is blowing.

Stories like this don't emerge from nowhere. Increasingly, the Treasury is using news management techniques to leak Budget proposals—both real and imaginary.

The technique is damaging to confidence and causes unnecessary upsets in the market.

It is time for the Chancellor and his cohorts to return to the old tradition of Budget Day and stop putting out silly rumours.