

**IOD**  
Institute of Directors

cc Blackwell  
(Policy Unit)

Rt Hon Mrs Margaret Thatcher MP  
No 10 Downing Street  
London  
SW1

8 September 1986

R10 pps.

ack 10/9 SKW.

*Dear Prime Minister*

Further to my letter of 20 August enclosing a paper on the Right To Be Self-Employed I thought you might be interested to see the attached letter we have received. It highlights the extent to which many people are in the black economy simply through misconception about "the system" rather than deliberate evasion.

*Yours sincerely*  
*Graham Mather*

Graham Mather

Enc.

Chased Policy Unit ✓ 19.9.  
on 16/9.  
BM.

cc DG for info  
TD

# SKILLS *for* BUSINESS

Institute of Directors  
Belgrave Square

26 August 1986

Dear Sir

The Tax Amnesty Proposal  
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1. I was very interested to read the recent reports of the Institute's proposed tax amnesty, and in particular the suggestion that a regional experiment should be tried, perhaps in Wales.
2. May I add a further dimension to the argument, based on our experience? We are a training agency, with training centres both in Cardiff and Swansea, working in particular with the local enterprise agencies: Cardiff & Vale Enterprise, Merthyr Aberdare Development Enterprise, and the West Glamorgan Enterprise Trust.
3. One reason why the black economy flourishes, particularly in the Provinces, is that many of the new recruits to the ranks of the self-employed simply DO NOT KNOW how to handle the legitimate system. Misconceptions about "the system" abound: for example, that it is illegal to start a business when in other employment, full-time or part-time; that for the self-employed, income tax is still paid weekly or monthly; that income tax is calculated on turnover, not profit; that to trade legitimately, you have to register in advance with some public authority, even get their permission; that planning permission is required for ALL business operations based at home; that there is no need to report income derived from a hobby "if you don't really make a profit"; that every business HAS to employ an accountant - the list is endless.

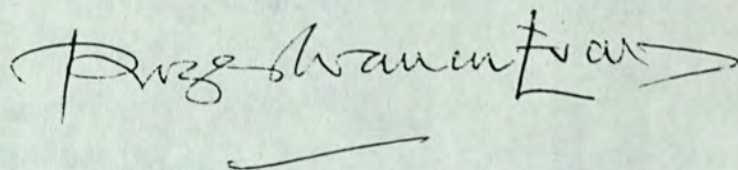
4. The result is that many thousands of those working in the black economy are doing so unnecessarily: for these misconceptions all have the effect of encouraging the individual to avoid the "limelight" of legitimacy. Then, after a period of successful unreported trading success, they are trapped in the declaration trap - to which the amnesty proposal is so wisely directed.

5. I am confident that a national amnesty along IoD lines would have a dramatic effect, and would introduce a new surge of vitality into the "main economy", unleashing energies which are currently inhibited by unnecessary, and ill-informed, fears. Many of the self-employed in the black economy are like Japanese soldiers on the Pacific Islands, years after the War, fighting on in the belief that hostilities continue. They simply need to have the facts explained.

6. The probability is that these misconceptions are more widespread in the Provinces than in London: the "big City" self-employed always seem to be more sophisticated in their understanding of "the system" - they are more likely to be deliberate, in their manipulation of the system to their own advantage. But in the Provinces, we believe that a significant factor in fuelling the black economy is simply ignorance: our tutors are engaged daily in running the most basic training courses, aimed at dispelling these misconceptions. But we still see only a tiny proportion of those whom we know are operating in the black economy.

7. A well-publicised amnesty is a sound proposal, and could be implemented quickly and successfully. I wish the Institute well in promoting this idea.

Yours sincerely

A handwritten signature in cursive script, reading "Roger Warren Evans". The signature is written in dark ink and includes a long horizontal flourish underneath the name.

Roger Warren Evans  
Managing Director