

[Secret deals let Queen avoid her income tax](#)

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Body

SECRET agreements between Buckingham Palace and the Government which have gradually taken the monarchy out of taxation during the past 80 years are revealed in a book to be published later this year.

Research by Phillip Hall, a lecturer and author, suggests that the constitutional and legal basis for the [Queen's tax](#) exemption is "very shaky". Both [Queen](#) Victoria and Edward VII paid [income tax](#), Mr Hall found. Though R A Butler, then the Chancellor of the Exchequer, told the House of Commons in 1952 that the monarch "naturally" did not pay [tax](#), it was only during the reigns of George V and George VI that the Crown secured exemption.

Mr Hall's revelations will increase the disquiet among MPs of all parties over the [Queen's tax](#) position. Lord St John of Fawsley, a former Tory arts minister and a noted royalist, says in a television interview to be broadcast tomorrow that the [Queen's tax](#)-free status is not "totally acceptable in the modern world".

Talking to Granada Television's World in Action, he says: "It is a very difficult position to defend save in constitutional and historical terms. I think it may be modified at some time in the future."

In the same programme, a Conservative MP, Anthony Beaumont-Dark, says: "I think private wealth is private wealth and the [Queen](#) should be [taxed](#) like anybody else." Next month, Simon Hughes, the Liberal Democrat MP for Bermondsey, will propose a 10-minute Bill to make the Royal Family liable to [tax](#) on its private wealth.

According to some estimates, the [Queen's](#) private fortune is pounds 6.6bn. Phillip Hall, whose book Royal Fortune is published by Bloomsbury later this year, says that her exemption from [income tax](#) alone may be worth pounds 7.3m a year or pounds 20,000 a day. He said yesterday: "I was surprised by the secrecy and wheeler-dealing that surrounded royal achievement of the [tax](#) exemption. From private papers and public records I have traced the successive steps by which the Royal Family were given exemptions.

"The monarchy went from [tax](#)-paying to [tax](#)-free status in just 40 years. These deals were mostly conducted behind closed doors between the monarch's private advisers, civil servants and ministers and were not discussed in Parliament or public." Mr Hall discovered that in 1901 the Government "advised" Edward VII he could not escape his commitment to pay [income tax](#).

Despite the King's protests throughout his reign, Edward VII "could not muster any unshakeable constitutional right to avoid [tax](#)". In 1910, the King's advisers took the initiative to get [income tax](#) removed from the Civil List at the start of George V's reign. The Chancellor of the Exchequer, David Lloyd George, said that the Civil List would not be adequate to carry out the business of the monarchy if it were [taxed](#).

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In 1933, George V persuaded the Government to remove the **tax** on his Duchy of Lancaster profits. Two years earlier, the King had been publicly praised for volunteering a 10 per cent cut in his Civil List **income** to show he was making a comparable sacrifice to the unemployed, who had suffered a 10 per cent cut in benefit. It has not been revealed until now that he recouped much of the loss from the **tax** savings on his Duchy of Lancaster profits.

Nevertheless, until his death in 1936, George V continued to pay **income tax** on his investment **income**. The **tax** was automatically deducted at source as it was for dividends on most government stock and on company shares. The Treasury told the Palace that the special position of the King allowed him to reclaim such deductions. But, with minor exceptions, George V did not do so. At the end of his reign, he was paying 22.5 per cent **tax** on his investment **income**.

In 1937, however, within three weeks of becoming King, George VI asked the Inland Revenue if he needed to pay the **tax**. He was assured he need not. Mr Hall has been unable to discover exactly when George VI acted on this advice. "Some time between 1937 and 1952 when Butler made his statement to the Commons," Mr Hall said, "the monarch started to reclaim **income tax** deducted at source."

In February, a poll carried out by Numbers Market Research for The Independent on Sunday found that nearly eight out of 10 people believed the **Queen** should pay **tax**. Mr Hughes said yesterday that he had received many letters, including many from Tory supporters and pensioners, who wanted to abolish the monarch's **tax** exemption.

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