

CIVIL LIST ACTS 1972 AND 1975

**REPORT  
OF THE  
ROYAL TRUSTEES**

*Presented in pursuance of Section 5(3)  
of the Civil List Act 1972*

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*Ordered by The House of Commons to be printed  
11 February 1993*

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LONDON: HMSO

Civil List Act 1972, Section 5(3):—

“The Royal Trustees shall also keep under review the other amounts . . . . .  
. . . . and any related matters, and they may . . . . . in a separate report, give any  
information on these matters.”

## **HM THE QUEEN AND HRH THE PRINCE OF WALES: ARRANGEMENTS FOR PAYING TAX AND REFUNDING PARLIAMENTARY ANNUITIES FROM 1993**

1. Following the Prime Minister's announcement in Parliament on 26 November 1992 (OR Cols 982-3) the Royal Trustees considered that it might be helpful, now that detailed proposals have been finalised, to lay a report before the House. The report deals with The Queen's offer to pay income tax, capital gains tax and inheritance tax on a voluntary basis and to refund the cost of the Parliamentary Annuities paid to members of the Royal Family except for Queen Elizabeth The Queen Mother and The Duke of Edinburgh. The report also covers The Prince of Wales' offer to pay income tax on a voluntary basis on his income from the Duchy of Cornwall. He is already fully taxed in all other respects.

### **Taxation**

2. The Sovereign is not legally liable to pay income tax, capital gains tax or inheritance tax because the relevant enactments do not apply to the Crown. After income tax was reintroduced in 1842 some income tax was paid voluntarily by the Sovereign, but over a long period these payments were gradually phased out.

3. The Queen has now proposed that She should pay income and capital gains tax, on a voluntary basis, and that inheritance tax should also be paid voluntarily, to the extent described in paragraphs 8-9 below, on transfers of Her assets. The Prince of Wales also wishes to pay tax voluntarily on his income from the Duchy of Cornwall to which Crown exemption also applies. They propose that these arrangements should come into effect from 6 April 1993. The main features of the proposed tax arrangements are described in this Report. The Memorandum of Understanding (at Annex A) gives full details.

### **Income Tax**

4. Tax will be paid on all private sources of income such as investment income and farming profits.

5. Tax will also be paid on The Queen's Privy Purse income to the extent that the income is used for personal purposes.

6. No account will be taken of the Civil List, of the Grant-in-Aid provided to meet property services expenditure, or of the cost of facilities and services borne on the Votes of Government Departments, since these are provided by Parliament to meet official expenses and to provide facilities for the performance of official business, and are not personal remuneration.

### **Capital Gains Tax**

7. The arrangements provide for capital gains tax to be paid from 6 April 1993 on any gains from the disposal of private assets on or after that date. The private proportion of capital gains in the Privy Purse will also be taxed. For assets acquired before 6 April 1993 only the proportion of any gain or loss relating to the period from 6 April 1993 will be taken into account.

### **Inheritance Tax**

8. Some assets are held by The Queen as Sovereign rather than as a private individual. They are not sold to provide income or capital for the personal use of The Queen and pass from one Sovereign to the next. Official residences, such as Buckingham Palace, and the Royal Collection of paintings and other works of art fall into this category. It would clearly be inappropriate for inheritance tax to be paid in respect of such assets.

9. In relation to assets which can properly be regarded as private, the arrangements provide that inheritance tax will not be paid on gifts or bequests from one Sovereign to the next, but will be payable on gifts and bequests to anyone else. Tax will also not be payable on assets passing to the Sovereign on the death of a consort of a former Sovereign. The reasons for not taxing assets passing to the next Sovereign are that private assets such as Sandringham and Balmoral have official as well as private use, and that the Monarchy as an institution needs sufficient private resources to enable it to continue to perform its traditional role in national life, and to have a degree of financial independence from the Government of the day.

### **The Prince of Wales**

10. Crown exemption also applies to the income which The Prince of Wales receives from the Duchy of Cornwall, but he pays a voluntary contribution to the Exchequer of 25% of the gross income received. He proposes that, from 6 April 1993, he should instead voluntarily pay income tax on that part of the Duchy income which is used to meet personal expenditure. As noted in paragraph 1 above he is already fully taxable in all other respects.

11. The Prince of Wales also intends that, from his accession to the Throne, he should pay income tax and capital gains tax on the basis proposed by The Queen. He is also in agreement with the arrangements for inheritance tax.

### **The Royal Collection**

12. The Royal Collection comprises some 7,000 paintings and 20,000 old master drawings, as well as large numbers of prints, watercolours, miniatures, books, manuscripts, furniture, ceramics, gold and silver plate, arms and armour, jewellery (including the Crown Jewels), clocks, glass, sculpture and tapestries.

13. In recent years considerable efforts have been made to ensure that the Collection can be seen by a large number of people. The maintenance, conservation and presentation of the Royal Collection and Archives are funded by admissions income from visitors, and from the net profits of shops and other related activities, principally at the State Apartments at Windsor Castle, The Queen's Gallery and Royal Mews at Buckingham Palace and the Palace of Holyroodhouse in Edinburgh.

14. To put these arrangements on a formal and permanent basis for the future, a charitable trust - to be known as the Royal Collection Trust - is to be established with effect from 1 April 1993. It will assume responsibility for the maintenance, conservation and presentation of items from the Royal Collection, and from the Royal Archives, and for admissions and related income which will continue to be devoted exclusively to the Royal Collection and Archives. The charitable trust's responsibilities will include continuing the policy of accessibility and in particular ensuring that items in the Collection on which income generated by the trust is spent will be publicly accessible. The charitable trust is being registered with the Charity Commissioners and information regarding its constitution, objectives and trustees, and its annual audited accounts will be publicly available.

15. The Royal Collection will continue to be held by The Queen. The Queen has not benefited personally in the past from the income generated by the Royal Collection; and for the future that income will belong to the charitable trust, not to Her Majesty, and accordingly will not need to be taken into account under the income tax arrangements described in paragraphs 4 to 6.

### **Administration**

16. The Inland Revenue will be responsible for collecting the tax due under the Memorandum of Understanding. It includes arrangements for the provision of information, the payments themselves and interest on late payments and refunds. The amounts paid will be brought into account under the appropriate tax heading in the Inland Revenue's general account.

17. As the Memorandum of Understanding makes clear, The Queen and The Prince of Wales will be entitled to the same privacy and confidentiality in relation to their tax affairs as any other taxpayer. Accordingly, the Government will not be publishing any information relating to monies paid under these voluntary arrangements.

### **Memorandum of Understanding**

18. The Memorandum of Understanding explains the proposed arrangements in more detail. It describes how the amount of income from the Privy Purse and the Duchy of Cornwall on which tax is to be paid is to be calculated and makes provision for income used to meet certain categories of official expenditure to be disregarded. It also describes how the private proportion of Privy Purse capital gains is to be calculated.

19. The Memorandum provides that any changes in the rates of taxation, or the introduction of new taxes or repeal of existing taxes, should apply to The Queen's private income and assets, and The Prince of Wales' private income from the Duchy of Cornwall, as calculated in accordance with the agreement, in the same way as to anyone else.

20. The Memorandum of Understanding provides for the possibility of variation or termination of the arrangements; however, the agreement is expected to continue indefinitely. As indicated above, The Prince of Wales has confirmed that he intends the arrangements to apply on his accession to the Throne.

### **Refund of Parliamentary Annuities**

21. The Queen has confirmed Her intention to meet the direct cost to the Consolidated Fund of the sums paid annually to the following Members of the Royal Family:

	£
The Duke of York.....	249,000
The Prince Edward .....	96,000
The Princess Royal.....	228,000
The Princess Margaret, Countess of Snowdon.....	219,000
Princess Alice, ..... Duchess of Gloucester	87,000
	<u>879,000</u>

The amounts are those fixed by Parliament in The Civil List (Increase of Financial Provision) Order 1990 (SI 1990/2018) for the 10 years to, and including, 2000. The Queen will, from 1 April 1993, refund the cost of the above annuities, leaving the Consolidated Fund to carry only the cost of the annuities paid to Queen Elizabeth The Queen Mother and The Duke of Edinburgh. The reimbursements are intended to be permanent although, as a voluntary arrangement, it would be open to The Queen to suggest alternative proposals.

22. The Queen already reimburses the Consolidated Fund £636,000 each year for the cost of the annuities paid to the Duke of Gloucester, the Duke of Kent and Princess Alexandra under section 3 of the Civil List Act 1972. The aggregate amount which she will now reimburse is £1,515,000, to be paid no later than 30 November each year. The refund to the Consolidated Fund will reflect the sums in payment; refunds would be made pro rata if, for any reason, less than a full year's annuity was payable by the Consolidated Fund.

23. As a result of these new proposals, the voluntary arrangements in paragraph 15 of the report by the Royal Trustees of 15 October 1990, to accumulate surplus in a manner similar to that for The Queen, will now be brought to an end for the Royal Annuitants listed in paragraph 21.

#### **Conclusion**

24. The Government welcomes the offer made by The Queen and The Prince of Wales to pay tax on a voluntary basis and believes that the arrangements set out in the attached Memorandum of Understanding are a fair and appropriate way of achieving this, taking account as necessary of the unique circumstances of the Monarchy. The Government also welcomes Her Majesty's offer to pay the cost of the annuities for certain additional Members of the Royal Family. The Royal Trustees commend these arrangements for tax and the reimbursement of Parliamentary Annuities to the House, on behalf of The Queen and the Government.

5 February 1993

JOHN MAJOR  
NORMAN LAMONT  
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## MEMORANDUM OF UNDERSTANDING ON ROYAL TAXATION

### Introduction

1. The Queen currently does not pay income tax, capital gains tax or inheritance tax, but has graciously agreed to do so from 6 April 1993, on a voluntary basis, in accordance with the arrangements set out in this Memorandum of Understanding. The Prince of Wales has confirmed that he intends to pay tax on the same basis following his accession to the Throne.

2. At present, The Prince of Wales is liable to tax, except on the income he receives from the Duchy of Cornwall. In respect of that income he makes a voluntary contribution of 25% to the Exchequer. He has voluntarily agreed to pay income tax from 6 April 1993 on Duchy of Cornwall income used for private purposes in place of the present 25% contribution.

### Summary of main provisions

3. The memorandum makes provision for:
- income tax and capital gains tax to be paid in respect of the whole of The Queen's private income and assets in accordance with normal tax rules (apart from transitional commencement provisions)
  - income tax and capital gains tax to be paid in addition on the proportion of the income and capital gains of the Privy Purse (which is partly funded by income from the Duchy of Lancaster) used for private purposes, and includes rules for calculating the private proportion which is to be taxed
  - monies and facilities provided for The Queen out of public funds for "Head of State" duties to be disregarded for income tax purposes
  - inheritance tax to be paid on The Queen's assets, but without regard to those which pass to the next Sovereign, whether automatically or by gift or bequest
  - The Prince of Wales to pay income tax on income from the Duchy of Cornwall used for private purposes, and includes rules for calculating the private proportion which is to be taxed
  - the same tax arrangements expected to apply to The Prince of Wales, following his accession, as will apply to The Queen
  - The Queen and The Prince of Wales to have the same privacy and confidentiality as other taxpayers
  - the payment of tax and other administrative matters
  - the arrangements to continue indefinitely, but for termination or variation in changed circumstances.

### Income tax

4. These arrangements apply to The Queen's income arising on or after 6 April 1993.

5. Income tax will be paid, on private income, in accordance with ordinary income tax rules, subject to the provisions of paragraphs 7 to 14 below.

### *Definition of private income which is to be taxed*

6. Income tax will be paid on all private sources of income.

7. In addition, income tax will be paid on the income of the Privy Purse (which includes income received from the Duchy of Lancaster) to the extent that it is not used to defray expenditure in connection with the official duties of The Queen or members of the Royal Family who undertake official duties on behalf of The Queen. The amount of Privy Purse income to be taxed and the expenses taken into account are to be determined in the way set out in Appendix A.

8. At present The Queen derives no income from the Duchy of Cornwall. But the Sovereign is entitled to that income at any time when there is no Duke of Cornwall, and to eight ninths of that income when the Duke is a minor. In that event Duchy of Cornwall income is used first to meet Civil List expenditure and payments by the Exchequer for the Civil List are reduced accordingly. Only the excess, if any, of the Duchy of Cornwall income over the Civil List expenditure would be at the Sovereign's disposal. If at any time there is such an excess, it will be taken into account

in arriving at the amount on which tax is to be paid in the same way as for income from the Duchy of Lancaster.

9. Monies and facilities provided for The Queen out of public funds for Head of State duties are to be disregarded for income tax purposes.

10. The Queen has announced Her intention to make items from the Royal Collection of paintings and other works of art, and items from the Royal Archives, available to a new charitable trust, to be known as the Royal Collection Trust, which will assume responsibility for safeguarding, maintaining, and exhibiting them. The ownership of the Royal Collection and Archives will remain with the Crown. However, the Royal Collection Trust will become entitled to all the income arising from items from the Royal Collection and Archives made available to it from 1 April 1993, and all such income, and the corresponding expenses, will accordingly be disregarded for the purposes of these arrangements.

***Transitional commencement provision***

11. For the purpose of determining the appropriate income tax year for which income is to be taxed, sources of income in existence at 6 April 1993, which would normally be assessed by reference to the income of the preceding year, will be regarded as having commenced on 6 April 1993.

***Arrangements for statements of taxable income, and payment of tax***

12. A statement of income to be taxed, calculated in accordance with these arrangements, will be prepared and delivered on behalf of The Queen, not later than 30 September next following the end of any tax year to which the arrangements in this memorandum apply. The tax payable for any year under these arrangements will be paid not later than 1 December following the end of the year of assessment.

13. If the amount payable has not been agreed by that time, payment will be made then in accordance with the statement of taxable income, or the best estimate which can be made of the amount due; and any increase (or decrease) subsequently agreed will be paid (or repaid) within a month of agreement.

14. Where any tax for any year is paid, or repaid, after 1 December following the year of assessment to which it relates interest will run, at the appropriate rate, from 1 December to the date of payment or repayment.

***Capital gains tax***

15. Capital gains tax will be paid in respect of any chargeable gains arising from the disposal of private assets on or after 6 April 1993.

16. Any liability to capital gains tax will be calculated in accordance with ordinary capital gains tax rules for the year in question, subject to the provisions of paragraphs 17 and 18.

***Definition of private assets for capital gains tax***

17. Because the Privy Purse meets official and private expenditure, it is necessary to determine the proportion of the assets belonging to the Privy Purse which should be regarded as private for capital gains tax purposes. The proportion regarded as private in any year is to be calculated as set out in Appendix A; and that proportion of any capital gains or losses relating to disposals of Privy Purse assets will accordingly be taken into account in determining any capital gains tax liability.

***Transitional commencement provision***

18. Where there is a disposal of an asset acquired before 6 April 1993, any gain or loss shall be calculated as though the asset had been acquired on 5 April 1993 at its market value on that date. Alternatively, for assets other than shares and securities quoted on a recognised stock exchange, any gain or loss may be calculated in accordance with the normal rules by reference to the actual cost and date of acquisition (or, where appropriate, market value on 31 March 1982), but with the gain or loss time-apportioned so that regard is had only to the proportion relating to the period of ownership from 6 April 1993 to the date of disposal.

***Arrangements for statements of chargeable gains, and payment of tax***

19. The arrangements for a statement of chargeable gains and losses for any year, and the payment of any tax or interest in respect of capital gains, will be the same as the arrangements for income tax set out in paragraphs 12 to 14, subject to any instalment facilities available under the normal capital gains tax rules. Where tax is payable by instalments and an instalment is paid after its due date, interest will run, at the appropriate rate, from the due date.



### **Inheritance tax**

20. No inheritance tax will be payable in respect of assets which are held by The Queen as Sovereign, rather than as a private individual, or in respect of any other assets required for the official purposes of the Crown.

21. For other assets the normal rules for computing inheritance tax will apply to gifts and bequests (ie transfers of value) from or to The Queen, except that:

- (a) bequests to the new Sovereign on the death of The Queen and gifts to the new Sovereign before The Queen's death will be disregarded
- (b) no inheritance tax will be payable which would reduce assets passing to the Sovereign on the death of a consort of a former Sovereign
- (c) for gifts and bequests from The Queen, the inheritance tax threshold will be regarded as nil.

22. These arrangements will apply to gifts and bequests made on or after 6 April 1993.

### ***Arrangements for accounts of amounts chargeable to inheritance tax and payment of tax***

23. An account of the inheritance tax payable will be provided within 12 months of, and the tax will be due 6 months after, the end of the month in which death, or the relevant transfer or event, occurs, subject to the instalment facilities and any provisions for deferral available under the normal rules of inheritance tax. Where any tax is paid or repaid after the due date, interest will run, at the appropriate rate, from the due date to the date of payment or repayment.

### **Changes in taxation**

24. Any changes in taxation falling on personal income, capital gains or private assets, including the repeal of existing taxes or the introduction of new taxes, will apply in calculating the tax due under these arrangements on The Queen's private income, chargeable gains and assets, as defined above.

### **Successors to The Queen**

25. It is intended that the arrangements in this Memorandum of Understanding should continue indefinitely and should apply to successors to The Queen, with or without variation, unless any successor decides otherwise. The Prince of Wales has confirmed that he intends that these arrangements will apply to him on his accession to the Throne.

### **The Prince of Wales**

26. Although he is otherwise liable to taxation, The Prince of Wales is not liable to income tax on income he receives from the Duchy of Cornwall. The Crown's exemption applies to income from the Duchy of Cornwall which, in the circumstances indicated in paragraph 8, belongs to the Sovereign. The Prince of Wales voluntarily pays 25% of the gross income he receives from the Duchy of Cornwall to the Exchequer.

27. The Prince of Wales has agreed that, in relation to income from the Duchy of Cornwall arising on or after 6 April 1993, his payments to the Exchequer will cease; and instead, he will voluntarily pay income tax on income arising after that date from the Duchy of Cornwall to the extent that it is not used to defray expenditure in connection with his official duties, or official duties performed by The Princess of Wales. The amount of Duchy of Cornwall income to be taxed and the expenses to be taken into account, are to be determined in the way set out in Appendix B. The arrangements for statements of taxable income and payment of tax set out in paragraphs 12 to 14 will also apply to The Prince of Wales in relation to income from the Duchy of Cornwall.

28. The Duchy of Cornwall owns Highgrove. The Prince of Wales has agreed, as part of these arrangements, that from 6 April 1993 he will pay the Duchy a market rent for it, and will reimburse the Duchy the cost of any other assets or facilities made available to him or his family for private use.

### **Administration**

#### ***Agreement of tax due***

29. All statements and accounts required under these arrangements will be made to the Inland Revenue, and the amount due will be agreed with them and paid to them.

#### ***Accounting for tax paid***

30. Amounts paid will be brought to account in the Inland Revenue's General Account of

Receipts and Payments under the appropriate tax heading.

***Disagreements***

31. If, exceptionally, the Inland Revenue are unable to agree the amount to be paid under this voluntary agreement, the Chancellor of the Exchequer shall decide the point at issue, on a joint submission from the Inland Revenue and representatives of The Queen or The Prince of Wales.

***Confidentiality***

32. In relation to anything done in respect of this voluntary agreement The Queen and The Prince of Wales shall be entitled to full privacy and confidentiality in the same way as any other taxpayer; but this shall not preclude any exchange of information between the Treasury and Inland Revenue which is necessary for the proper implementation of these arrangements.

***Termination or variation***

33. The Queen or The Prince of Wales may, at any time, give notice to the Government of withdrawal from these arrangements with effect from the following 6 April, or any later date.

34. These arrangements have been drawn in wide terms but it is recognised that it might be appropriate to agree variations if circumstances change. In that event, it is open to the holder for the time being of the office held by any signatory to this Memorandum of Understanding to propose that the arrangements should be changed from the following 6 April or from some later date.

***Publication***

35. It is intended that this Memorandum of Understanding should be published. It is agreed that any termination or variation of the arrangements, in accordance with paragraphs 33 or 34, will also be published on or before the date it takes effect.

36. Where a successor to The Queen agrees that the Memorandum of Understanding should apply, in accordance with paragraph 25, particulars of any variation will be published as soon as possible after agreement has been reached.

***Operation of the arrangements***

37. In keeping with the voluntary nature of the arrangements this Memorandum has been drafted in general terms. However, the tax affairs of The Queen and The Prince of Wales will be ordered in a straightforward manner and the provisions included in this Memorandum will not be used to reduce tax payments by themselves or other members of the Royal Family in circumstances which the provisions were not intended to cover.

***Signatories***

38. This Memorandum of Understanding is signed below, by representatives of The Queen, The Prince of Wales and the Government, as a record of the arrangements agreed between them for the payment of income, capital gains and inheritance tax on a voluntary basis.

*The Earl of Airlie, Lord Chamberlain*

*Commander Richard Aylard, Private Secretary and Treasurer to the Prince of Wales*

*Sir Terence Burns, Permanent Secretary to the Treasury*

*Sir Anthony Battishill, Chairman of the Board of Inland Revenue*

5 FEBRUARY 1993

**RULES FOR DETERMINING THE INCOME  
AND CAPITAL GAINS OF THE PRIVY PURSE  
ON WHICH TAX IS TO BE PAID**

**1. Introduction**

The primary purpose of the Privy Purse (which receives the income distributed by the Duchy of Lancaster and has its own sources of income) is to meet expenditure incurred by, or on behalf of, The Queen as Head of State but not charged to the Civil List. But, to a lesser extent, the Privy Purse also meets some of The Queen's personal expenditure. This annex sets out how the income of the Privy Purse is to be calculated, and the categories of expenditure incurred by The Queen as Head of State which are to be taken into account in arriving at the amount of the income of the Privy Purse on which tax is to be paid, so that tax falls only on that part of the income which is used for The Queen's personal expenditure.

**2. General Rules**

The amount of income from the Duchy of Lancaster and from the Privy Purse's other sources of income which is to be taxed in any year is the sum of:

- (a) the net surplus earned by the Duchy of Lancaster in the year in question, whether or not transferred to the Privy Purse in full during that year, and
  - (b) the full amount of the other income arising to the Privy Purse in that year, calculated in accordance with ordinary income tax rules,
- less**
- (c) the aggregate of the expenses listed in paragraph 4 below which are met from the Privy Purse and were incurred in the year concerned.

3. If in any year the amount to be deducted under paragraph 2(c) exceeds the sum of the amounts under 2(a) and 2(b), the excess may be carried forward and added to the amount deductible under 2(c) in the following year.

**4. Expenses to be taken into account**

- i. Amounts paid to the Consolidated Fund to reimburse the cost of Parliamentary and Section 3 Annuities payable under SI 1990/2018 (or as subsequently amended).
- ii. Payments made to and in connection with staff employed, or pensioners previously employed, for official purposes; in the case of staff or pensioners whose duties are or were only partly official, the proportion relating to their official duties.
- iii. The accountancy, legal, administrative and investment advisory costs relating to the official functions of the Privy Purse.
- iv. Medical and insurance costs incurred in connection with the The Queen's official duties.
- v. Donations, cups, prizes, flowers and presents given in an official capacity.
- vi. Payments made to other Members of the Royal Family\*, in addition to the sums in (i) above, to meet official expenses incurred in assisting The Queen in carrying out duties as Head of State, which would have fallen within the usual scope of Orders made by the Treasury under Section 199 of the Income and Corporation Taxes Act 1988 (expenses necessarily incurred and defrayed from official emoluments) if they had been met from Parliamentary or Section 3 annuities.
- vii. The proportion of the costs of maintaining and running the properties and estates at Balmoral and Sandringham which relates to their use for official purposes. No account is to be taken of costs relating to farms, forestry, or sporting facilities.
- viii. The cost of uniforms but not other clothing incurred by The Queen and other members of the Royal Family for official purposes.
- ix. Any expenses not falling under any of the preceding paragraphs which are incurred by The Queen or other members of the Royal Family in an official capacity or in connection with official duties.

**5. Private Proportion of Privy Purse Assets for Capital Gains Tax**

As The Queen is not entitled to the assets or capital gains of the Duchy of Lancaster, no account is to be taken of capital gains or losses arising from the disposal of its assets. But The Queen is

\* Queen Elizabeth The Queen Mother, The Duke of Edinburgh, The Duke of York, The Prince Edward, The Princess Royal, The Princess Margaret, Princess Alice, The Duke of Gloucester, The Duke of Kent and Princess Alexandra.

entitled to the assets of the Privy Purse, and any capital gains arising on them. It is necessary therefore to identify the proportion of the assets of the Privy Purse itself which is to be regarded as private so that that proportion of any capital gains or losses can be taken into account.

6. The proportion is to be calculated each year in the same way as the proportion of the income of the Privy Purse which is to be taxed (paragraph 2 above). But because Duchy of Lancaster gains are to be disregarded, no account is to be taken of the Duchy of Lancaster income receivable by the Privy Purse, or of Privy Purse expenses except to the extent that they exceed Duchy of Lancaster income. The proportion of Privy Purse gains and losses to be taken into account in any year is thus:—

$$\frac{A - B}{A}$$

where A = Privy Purse Income, and  
B = any excess of Privy Purse expenses over  
Duchy of Lancaster income.

**APPENDIX B**

**RULES FOR DETERMINING THE INCOME OF THE DUCHY OF CORNWALL ON  
WHICH TAX IS TO BE PAID**

**1. General Rule**

The amount of income from the Duchy of Cornwall which is to be taxed in any year is the net surplus earned in the year in question, whether or not paid in full to The Prince of Wales in that year less the aggregate of the expenses listed in paragraph 3 incurred in that year.

2. If in any year the amount to be deducted in respect of the expenses listed in paragraph 3 exceeds the net surplus earned by the Duchy of Cornwall for the year in question, the excess may be carried forward and set against Duchy income for the following year or, if necessary, any subsequent year.

**3. Expenses to be taken into account**

- (i) Payments made to meet official expenses incurred by The Prince of Wales or The Princess of Wales, in assisting The Queen in carrying out duties as Head of state, which would have fallen within the usual scope of Orders made by the Treasury under Section 199 of the Income and Corporation Taxes Act 1988 (expenses necessarily incurred and defrayed from official emoluments) if they had been met from Parliamentary or Section 3 annuities
- (ii) The proportion of the costs of maintaining and running the property and estate at Highgrove which relates to its use for official purposes. No account is to be taken of costs relating to farms, forestry or sporting facilities
- (iii) The cost of uniforms but not other clothing incurred by The Prince of Wales or The Princess of Wales for official purposes
- (iv) Any expenses not falling under any of the preceding paragraphs which are incurred by The Prince of Wales or The Princess of Wales in an official capacity or in connection with official duties

Footnote: No question of capital gains tax arises in relation to the Duchy of Cornwall since The Prince of Wales is not entitled to its capital or capital gains.





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