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### Is Prince Charles Guilty Of Royal Tax Avoidance?

Britain's [Prince Charles](#) may feel a tad uncomfortable. It seems unlikely he's a tax cheat, but Britain's taxing agency has been asked to investigate alleged [tax avoidance](#) by his £700m hereditary estate. The complex matter involves the nature of the Duchy of Cornwall, an agricultural, commercial and residential landowner that [provides Charles](#) with a princely income of £18m. See [Prince Charles Reported to the Revenue Over 'Well Entrenched Tax Avoidance Scheme' on £18m Earnings](#).

Charles pays tax on that income, but an anti-monarchy group claims the Duchy conducts "a well-entrenched tax avoidance scheme." The critics say a ruling—about the environmental impact of an oyster farm—classified the Duchy as a separate legal body making it a corporation for tax purposes. See [Prince Charles's £700m Estate Accused of Tax Avoidance](#). It seems a stretch, but the anti-monarchy group says the Duchy is "using a highly questionable interpretation of its legal status."



Prince Charles, Prince of Wales (Image credit: Getty Images via @daylife)

The Duchy [insists](#) it “is not subject to corporation tax as it is not a separate legal entity for tax purposes.” A 24% tax rate hangs in the balance. See [Prince Charles Attacked Over Tax Payments](#). Besides, “the Prince voluntarily pays income tax on income generated by the Duchy, so there is no legal requirement to pay corporation tax and to do so would result in double taxation.” See [Prince Charles Attacked Over ‘Tax Avoidance’ Claims](#).

Although it’s too soon to say who is right, my money is on the Prince and the Duchy not the politicians. Most legal systems allow us to conduct our affairs to legally minimize taxes. True, sometimes even experienced tax professionals have trouble discerning the line between legitimate tax planning and tax shelters.

How do you spot a tax shelter? Is it investing in real estate, the home mortgage interest deduction or your 401(k)? No. They may **shelter** taxes but are not “tax shelters.” True shelters cost the IRS billions, and there have been several tax shelter eras since our federal income tax was born in 1913. The most recent saw Enron’s collapse, Arthur Anderson’s demise and criminal trials of lawyers and accountants from KPMG.

They are defined by the [tax code](#) to include any plan or arrangement having a significant purpose of avoiding or evading federal income tax. The key is whether the tax ramifications are the **reason** the person is entering into the transaction. See [Know Tax Shelters When You See Them?](#) and [Tax Shelters Not Über Alles](#). Tax shelters are required to be registered with the IRS. See registration requirements [here](#).

We recall with disdain Leona Helmsley’s “only the little people pay taxes.” Charles and the Monarchy are also big targets. But if the investigation into the Duchy and Prince Charles turn up nothing untoward, it would be good to remember that virtually every person and company everywhere has engaged in legitimate tax reduction.

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