



**CLARENCE HOUSE
LONDON SW1A 1BA**

From: The Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall

9th March 2007

Dear Mr Henshaw,

Thank you for your e-mailed letter of today's date. The further information requested is as follows.

1. The Prince never said that McDonald's should be banned

The Prince of Wales is absolutely certain that he never said that McDonald's should be banned in his private conversation with the nutritionist concerned. His Royal Highness said to her how strange it is that smoking is banned but nothing else. Mention of McDonald's never came into it. As mentioned in at least one newspaper report, the lady herself confirmed soon after her conversation with The Prince of Wales that he had never said that McDonald's should be banned.

2. What other property organizations in the UK do not pay capital gains tax?

The comment "compared with other property organizations" was made by the Treasury in their response to the PAC and your question should be put to them; however, pension funds (which can own extensive property portfolios) do not pay capital gains tax and trading property companies and individuals trading in property can roll or hold-over capital gains for tax purposes. The person or company for whom a property is being bought or sold would not normally affect the transaction price (i.e. it is irrelevant whether it is being bought by the Duchy or anyone else, as the Treasury confirmed). Finally, I repeat that this matter is not directly relevant as far as The Prince of Wales is concerned because he is not entitled to the Duchy's capital profits and like everyone else is not required to pay tax on capital gains to which he is not entitled and does not receive.

3. **Are The Prince's Charities subject to tax in exactly the same way as other charities?**

While most charities do not pay tax they certainly come within the tax regime. If distributions do not fall within charitable objectives or if expenditure is not incurred for charitable purposes tax might be payable. As I have said, The Prince's Charities are independently constituted charities and for tax and all other legal purposes they are just the same as other charities.

4. **Is The Prince's tax calculated in the same way as for everyone else?**

The first point to reiterate is that there are no special rules established by the Inland Revenue for tax deductions for The Prince of Wales, as is made clear in the Memorandum of Understanding on Royal Taxation to which I referred in my letter of 5th March. In other words if you are suggesting that exceptional rules are being applied to The Prince of Wales the criticism is not for me to answer but the Inland Revenue.

The Prince of Wales is able to offset expenditure incurred in undertaking his job like anyone else (within rules established by legislation and the Inland Revenue). Encouraging public service and supporting charities and voluntary work is a part of his job. It may be helpful if you refer to Frank Prochaska's book on royal involvement with charity, which goes back for 100 years or more and is now regarded as an important part of the role.

With respect to the specifics of the deduction, as mentioned in the Memorandum of Understanding on Royal Taxation there is provision in the ICTA 1988 for the deduction of this type of expenditure for tax purposes. It is Section 199 as referred to in my letter. This section was introduced before The Prince of Wales paid tax in full on his income from the Duchy and therefore clearly cannot have been introduced for him. Expenditure incurred by his charities is not deducted in The Prince of Wales' personal tax return.

5. **The Prince of Wales lobbied the Government for £10 million for research into alternative medicine**

To the best of my knowledge and belief the Foundation for Integrated Health never, as you suggest, made an unsuccessful application "for the allocation of ten million pounds worth of NHS funds for research into alternative health treatments". You are correct in saying that the then Chief Executive speaking on behalf of the charity said that £10 million was needed over a five year period for research into complementary and alternative treatments; and having given evidence to the House of Lords Science and Technology Committee, which was inquiring into complementary and alternative medicine, the Foundation for Integrated Health (then Medicine) concluded that a properly funded national initiative

was required to encourage research into alternative and complementary medicine and that the Foundation would be well placed to co-ordinate and implement such a strategy; however, as I said, to the best of my knowledge no grant application was ever submitted by the Foundation for Integrated Health to the Department of Health for £10 million for research into alternative health treatments and, indeed, it is difficult to see how it could have been because the Foundation itself has no capability to undertake research and is not that type of charity. I accept, however, that the Foundation can suggest and has suggested that funding for research into complementary treatments should be provided to others.

I should add that The Prince's Foundation for Integrated Health received a grant of £900,000 (payable over three years) from the Department of Health about three years ago. This was to help with the regulation of complementary practitioners.

6. **The Foundation's Patients' Guide on complementary medicine did not provide an evidence base as the Foundation had said it would in its application to the Department of Health for a £20,000 grant to prepare the Guide**

As I said in my previous letter, evidence was provided by reference to on-line sources. This enabled readers to have access to more information and more up-to-date information than if it had been given in the report itself. If you are suggesting that research should have been undertaken to provide additional evidence as part of the report, this would hardly have been possible for £20,000 and everyone would have understood this. I should be grateful for your evidence that the Department of Health was dis-satisfied with the report. We have provided quite an extensive list of important medical bodies who were very satisfied with it.

7. **The Little House on the Isles of Scilly was let by the Duchy for 18 months to a local family before it was refurbished**

It is not always easy to get contractors for work on the Isles of Scilly and rather than leave the property empty while making the arrangements for the building work the Duchy let the Little House to a local family during the period from when the previous tenants (who lived in Middlesex) left to the start of the major rebuilding work. As you say, these tenants left the small island of Bryher after the conclusion of their temporary tenancy. I can assure you that the substantial cost of the rebuilding work would not have been incurred unless it had been required and that, leaving aside this temporary arrangement, it had always been the intention to increase the number of properties on Bryher for let to local people from none to two. You are saying that they only increased from one to two. Whether they increased from none or from one depends on whether a let which had always been intended to be temporary should be taken as part of the baseline. In any event, the main facts are that the Duchy is providing more

and more housing for local people on the Isles of Scilly, lets 85% of its properties there at less than market rates, and only lets 3% of its properties in the lucrative holiday market when 25% is the average for the Isles as a whole.

8. **A Royal Mail van and driver are “summoned” by The Prince of Wales and are made to wait with “The Prince effectively treating the van and driver as his personal courier”**

The Royal Mail van operates to a set schedule and is not “summoned”. Indeed The Prince of Wales personally is unaware of what the schedule is. It may be that the van is kept waiting from time to time, but this would be entirely the fault of members of this Office rather than The Prince of Wales.

9. **The Prince does not practice what he preaches because a helicopter took him from Highgrove to Cheltenham in March 2006**

The helicopter did not take The Prince from Highgrove to Cheltenham. The helicopter trip was from London to Cheltenham. His Royal Highness was working in London in the morning and would not have been able to undertake this official engagement if he had not gone by helicopter.

10. **The Duchy is acting unfairly in charging for the use of Kingsbridge Estuary and Salcombe Harbour**

The Duchy’s mooring and other rights in Salcombe Harbour and the Kingsbridge Estuary are leased to the local council. It is the local council rather than the Duchy which sets and makes the charges for moorings and visiting boats, with the Duchy receiving 10% of the amounts charged as rent.

We will say on our website that we have not received permission to publish your letters.

Yours sincerely,

Sir Michael Peat

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