

## Prince Charles must go public with his tax dealings

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My good friend and colleague, Prof Prem Sikka, has written a blog on one of my own pet topics - the tax affairs of Prince Charles - [for The Conversation which is well worth sharing](#). He says:

*The UK House of Commons [Public Accounts Committee](#) is examining some of the financial affairs of Prince Charles, heir to the British throne. The Committee should be concerned that the [Duchy of Cornwall](#), Prince's business arm, is exempt from corporation and capital gains tax. This means that the Duchy does not make any financial contribution towards the social infrastructure used by it. Its tax exemptions also give it unfair advantage over its rivals.*

*The Duchy of Cornwall is the remnant of a bygone feudal age. The Duchy's estate was created in 1337 by Edward III for his son and heir, Prince Edward. It provides income for the Duke of Cornwall, always the male heir to the throne. Today, the Duchy's estate is no longer confined to land in Cornwall. It is a sprawling conglomerate, the third largest [landowner](#) in the UK, owning 53,154 hectares of land in 24 counties, mostly in the South West of England.*

*The Duchy's [2013 balance sheet](#) shows net assets of £762 million though the market value is likely to be several billions. Its [portfolio](#) of assets includes 3,500 individual lettings, including 700 agricultural agreements, 700 residential agreements, and 1,000 commercial agreements. The Duchy owns Dartmoor Prison, the Oval cricket ground in London, a Waitrose warehouse in Milton Keynes, pubs, shops, hotels and building occupied by King's College London. The Duchy also jointly owns a biomethane injection plant.*

*The Duchy directly competes with commercial organisations to trade in property, house building, holiday rentals, organic food, jam, marmalades and biscuits. Its profits are boosted by the direct use of social infrastructure funded by taxpayers in the shape of local/central government, transport, security, legal system, and education and healthcare provided to its employees. But the Duchy makes no direct financial contribution towards any of this because it is exempt from the UK corporation and*

capital gains tax.

The tax privileges of the Duchy are often defended by claims that it is a private estate (is the monarchy private?), or that it is a private trust for the benefit of the Duke of Cornwall, or that somehow the Duchy and the Duke merge into one.

An ongoing [freedom of information case](#) has lifted some of the legal murk surrounding the Duchy to reveal its economic substance: it is a legal person in its own right. The evidence provided by Prince Charles's representatives showed that the Duchy enters into legal contracts in its own name. Its staff are employed by the Duchy rather than the Duke. The Duchy has sued and has been sued in its own name. It is registered for VAT and Pay As You Earn (PAYE). Employees give their consent to the Duchy to process their personal data. The Duchy is notified as the Data Controller under the Data Protection Act 1998. The Duchy has bank accounts in its own name. There have been transactions between the Duchy and Duke, clearly acknowledging that the two are separate.

Parliament has no say in how the profits are to be distributed. The Duchy's entire income goes to Prince Charles. Between 2008 and 2013, UK workers saw [a real terms cut](#) of 6% in their pay. By contrast, Prince Charles's income rose from £18.7 million to £20.2 million for the same period. A large part of this came from the Duchy of Cornwall, whose contribution increased from £16.27 million in [2008](#) to £19.05 million in [2013](#).

The [Duchy of Cornwall's website](#) states:

As The Prince already pays income tax on the Duchy's surplus, the Duchy does not pay Corporation Tax. If the Duchy also paid Corporation Tax, The Prince would effectively be taxed twice on the same income. Only companies pay Corporation Tax; many other large organisations which are not companies pay income tax.

Inevitably, the Prince is seeking to endear himself to the people by claiming that he pays income tax, just like anyone else. But how much income tax does he pay? Page 27 of the Prince's [2013 annual review](#) states:

The Prince of Wales pays income tax voluntarily on the surplus of the Duchy of Cornwall, applying normal income tax rules and at the 50 per cent rate, and pays income tax on all other income and capital gains tax like any private individual. The £4.426 million includes VAT.

It is worth noting that income tax and VAT payments, which are payable by all consumers, have been lumped together to produce a higher amount. Why this obfuscation by combining direct and indirect taxes?

Any comparison of the Prince's direct (income tax) and indirect (VAT) tax contribution with that of an ordinary citizen is difficult, but statistics provide some food for thought. The most recent [government statistics](#) show that for 2011/12, direct and indirect taxes

*added up to 36.6% of the income of the bottom 20% of the UK households, and averaged at 34.6% of the income of all households. The £4.426 million tax payment by the Prince amounts to 23.2% of his income.*

*The controversies about Prince Charles's business dealings are unlikely to go away. The feudal arrangements do not sit easily with contemporary notions of democracy and public accountability. Insetad, we must subject all payments to any part of the monarchy to parliamentary approval and scrutiny.*