

5th July 2022

HMRC Offices, 1 Ruskin Square, Croydon

Present: James Banks (HMRC)
Maryann Dufton (HMRC)

Robert Venables
Phillip Salvesen (Solicitor)

Pre-interview disclosure: 10:39am-10:49am

Documents which the interviewing officers intended to ask Mr Venables about had been provided to his solicitors in advance of the interview. Before the interview began, Mrs Dufton explained that Mr Venables was believed to have evaded income tax by implementing the RVQC Partnership, leading to a tax loss of approximately £1.5m, and that HMRC had recently been investigating the activities of Citadel Ltd; it was suspected that he had used that company to commit further income tax evasion leading to an additional tax loss of approximately £430,000. This interview would be concerned with the activities of Citadel Limited and the RVQC Partnership in the light of the new evidence obtained since the previous interview.

Mr Salvesen indicated that whereas the previous year there had been no disclosure ahead of the day of the interview, this time there had been 187 documents, with over 1,200 pages, provided less than a week before the interview, and there had been insufficient time for Mr Venables to prepare effectively for the interview amongst his very busy continued practice as a barrister. In the time available it had been completely impossible even to start looking through it, and a request for the interview to be put off until September when Mr Venables would be back from a pre-arranged trip (or earlier as a remote interview) had been refused; as a result he thought that it was going to be difficult to have an effective interview that day.

Interview: 11:17am-12:14pm

At the outset of the interview Mr Venables was reminded of the caution, which Mr Venables again confirmed that he understood.

Mr Banks said that the first document which he wished to ask Mr Venables about was the letter which had been sent by his solicitors after the previous interview (14.19).

BANKS This letter provides an explanation of why in the tax year 2017/18 in the 2 Oxford Colleges St Edmund Hall and Merton Colleges were not entitled to any income. The reason is that just a few days before the end of the accounting period, in April 2017, in which 2 Trusts, St Augustus and Matthias were allocated substantial shares of the RVQC Partnership profits, the 2 colleges were introduced as beneficiaries replacing yourself and Gary Bernard Morris who had been the principal income beneficiaries entire, for the entire accounting period up until that point.

VENABLES Can we pause there, I, I'm not sure the letter says that at all.

DUFTON You tell us what you think the letter says.

VENABLES Well ...

SOLICITOR The letter says what it says, I don't think it's up to Mr Venables to tell you what it says. We can read out the contents of the letter if that's more helpful.

DUFTON Well this is our interpretation of what we think the letter says and Mr Venables says he disagrees with it.

VENABLES Well I'm not sure, I think. Again I have to, there are so many things I have to keep in my head, not just this matter but all my client matters. I cannot have everything at my fingertips, which is why not being given advance notice of what you're going to be asking about makes it very very difficult for me. I'm going to take this out. I believe, I'm, I'm just going to have to read it to make sure we know where we are.

DUFTON Thank you.

VENABLES Now, let's concentrate on one of these, the St Augustus Trust okay. You were provided with a copy of the deed of settlement and a deed of appointment, both dated 2013. As far as I recollect there were no further deeds in relation to that trust.

SOLICITOR I'm just going to remind you of my advice

VENABLES Indeed. Anyway, but this is, this is what the letter says. Now the letter states that those documents determined who was to be beneficially entitled to receive the net income of the trust during which periods. And as I read this letter by the 2nd of July 2013 it was already clear that Robert Venables will receive the income up to and including the 5th of April 2017 and as from the, Merton College will be entitled to the income only as from the 6th of April 2017.

BANKS I think our main question is, why at all were the Oxford Colleges on the deeds at all if they, if they never got any income, they never got any of the income so why were they on the deeds in the first place?

SOLICITOR I remind you (inaudible).
VENABLES I think I will pass on that one. Thank you very much. Is that your only question on this letter?

BANKS I'm going to keep going on this letter.
VENABLES Okay.
BANKS So is it so that if HMRC ever asks you who the beneficiaries of any of these Trusts are within your RVQC Partnership you will not be, so were the colleges put on there so you wouldn't be telling HMRC an untruth?

SOLICITOR I'm sorry can you read out the question again.
VENABLES I'm sorry I just don't understand that question.
SOLICITOR I didn't understand the English there I'm sorry.
VENABLES No.
BANKS Apologies. So were the Oxford colleges taken off, so they were on the documents first and then taken off so you could tell HMRC that they were never entitled to any of the money?

SOLICITOR What do you mean by taken off the documents?
BANKS They were replaced by St Augustus and St Matthias.
SOLICITOR But taken off the documents, what do you mean by that?
BANKS Removed as err I think the beneficiaries sorry, removed as the beneficiaries.

VENABLES I'm sorry.
SOLICITOR So the question, so the question is?
BANKS Uhm what, so is it so that if HMRC ever asked you who the beneficiaries of any of these Trusts are, within the RVC, RVQC Partnership are the colleges are listed as the beneficiaries and you wouldn't be telling HMRC an untruth.

VENABLES Well I, this is a question of the when did you stop.
SOLICITOR I think the question is what it is.
VENABLES The questions what it is, if you've got that down it's impossible to reply to it.

SOLICITOR I think what I just said at this stage is, we've had like 2 questions and it's been very difficult to understand what the questions are, can you just take a bit more time ...

BANKS Yeah.
SOLICITOR ... ask them very slowly, cos it's impossible for me to understand the questions or my client to do the same.

BANKS Okay noted. So the next exhibit we're looking at is the next one which is [7.11].

VENABLES Have you got a note of these questions. Let me put this away first.

(rustling papers)
VENABLES That appears to be the RVQC Partnership Tax Return for

2017/18.

BANKS Yeah that's correct. So on this return St Augustus' Trust and St Matthias' Trust are respectively allocated partnership profits of £542,676 and £84,400 for the accounting period ended 10th of April 2017. Can you confirm this from the exhibit shown to you?

VENABLES I'm sorry you will have to ...

SOLICITOR I advise the same (*inaudible*).

VENABLES Uhm.

SOLICITOR My advice remains the same.

VENABLES Okay, I think I'll, on the advice of my solicitor I will say nothing at this point but presumably you can err.

BANKS Okay. So then on the 5th of August 20, oh sorry the 5th of August 2021 you also provided HMRC with deeds of settlement for the St Augustus' and St Matthias' Trusts, so they are ...

VENABLES Would, would you just bear with me a moment ...

BANKS Yes sorry.

VENABLES ... while I put this away this is not the easiest, this is not an easy way of ...

BANKS You don't have to put them away just leave them there and then sort of just go onto the next one, if you go ...

VENABLES Yes but if this ...

SOLICITOR It doesn't matter.

BANKS Yeah it can go on like that, that's fair enough.

VENABLES Okay.

BANKS Yeah.

VENABLES So if ...

BANKS So I'll repeat ...

DUFTON We've just been talking about [9.4 and 9.14]

BANKS ... so the next 2 exhibits are, can you see there.

VENABLES Okay.

BANKS Okay, so on the 5th of August 2021 you provided HMRC with deeds of settlement for the St Augustus' and St Matthias' Trust, [9.4 and 9.14], and deeds of appointment for the same trusts which is [9.5 and 9.15] which are the 2 exhibits further along. Did you create these documents?

VENABLES You can see, I'm talking to my solicitor now really, but you can see there are 2 parties to each document. When you say did I create these documents, and you can see that the deeds of appointment, there are 2 parties to them. What exactly do you mean?

BANKS Did you author these documents?

VENABLES Did I?

BANKS Author these documents yourself?

VENABLES I'm sorry this is, this is not a legal term. There were 2 parties to each of these deeds.

DUFTON Who drew up those documents, was it you sir?

VENABLES Phil, same advice?

SOLICITOR My advice remains the same throughout the interview.

VENABLES Okay fair enough.

DUFTON Okay thank you very much. Right.

VENABLES Sorry.

BANKS Can you confirm who the Settlor was for the St Augustus' Trust and that's exhibit [9.4]?

VENABLES This, this is such a misconception, I'm not going to answer that.

...

BANKS And another question in relation to that document. Who is the principal beneficiary for St Augustus' Trust entitled to all of the income of the trust in his lifetime?

VENABLES Well same advice?

SOLICITOR It's not going to change Robert.

VENABLES Okay. No comment on that at this stage.

BANKS Okay. Is the Settlor you Mr Venables?

VENABLES No comment on my solicitor's advice.

Mr Banks asked about the St Mathias's Trust documents, and Mr Venables answered his questions in the same way.

BANKS In each of the accounting periods ended the 9th of the 4th 2014 to the 9th of the 4th 2020 the income beneficiaries of the Residuary Partner Trusts were changed on the 6th of April in each year by deeds of appointment from yourself to Oxford Colleges. Why is that?

VENABLES Same comment. At this point that is.

BANKS In each of the accounting periods ended the 9th of the 4th 2014 to the 9th of the 4th 2020 the income beneficiaries of the GBM Partner Trusts were changed on the 6th of April each year by deed of appointment from Gary Bernard Morris to the Oxford Colleges. Why?

VENABLES The same comment.

BANKS Why were these changes made to the Residuary and GBM Partner Trusts at these times when it was clear that they would not benefit from the RVQC Partnership or trust arrangements in general until 2031 at the earliest? If you look at [8.11]. So do you want me to repeat my question?

VENABLES Yes, I don't understand the question so err.

BANKS So uhm obviously this is related to the 2 previous questions I've asked. So why were these changes made to the Residuary and GBM Partner Trusts at these times when it was clear that they would not benefit from the RVQC Partnership Trust arrangements until 2031 at the earliest?

VENABLES Well what is, what is the evidence that's saying that they wouldn't benefit until 2031?

BANKS I believe it's in [8.11].

VENABLES Ahh right, well you haven't referred me to that yet. Which appears to be a RVQC Partnership deed of March 2016, just for the record. Forgive me I'm just a simple chancery QC but I can't see anything in this deed that supports the assertion you just made.

DUFTON No that's fine.

BANKS So then I'm moving on to the next document which is [9.1]. Is that correct?

DUFTON Yes.

BANKS Did you, again obviously we have this, did you author this poll, this deed poll or create this deed poll?

VENABLES This, so just again for the benefit of the recording, this is a document which is called Robert Venables Deed Poll of February 28th 2003. Okay I will on the advice of my solicitor make no comment on that for the moment.

BANKS Do you know what an Appointor of a Trust is?

VENABLES On the advice of my solicitor I will make no comment.

BANKS Okay. So an Appointor has the power to appoint/remove trustees who administer trust. Can you confirm that you were the Appointor of these trusts and all of the trusts that are linked to the RVQC partnership structure?

VENABLES So you made an assertion there, you say an Appointor, would you say it again, has power?

BANKS They have the power to appoint and remove the trustees who administered the Trust.

VENABLES Are, are you saying that, just so I've got this absolutely clear, cos I need to know your understanding or mis understanding of basic Trust law. Are you saying that wherever there is an Appointor in relation to a trust, that person has the power to appoint and remove trustees?

BANKS Uhm ...

DUFTON That's HMRC's understanding of this.

BANKS Yes, as I'll repeat, yeah they have the power to appoint or remove the trustees who administer the trust.

VENABLES Well I, simply not as I can't share the assumption there's

nothing I can say.

DUFTON Thank you.

VENABLES Again I'm just a chancery QC what would I know.

BANKS Okay. And then ...

DUFTON Mr Venables I wish to point out that's the reason you're here today, to explain to us if you think we've made, we've misunderstood the situation and we've misinterpreted the material that we have, this is your opportunity to tell us.

VENABLES I'm acting on the advice of my solicitor. I don't accept that it is, when you say, what you said and I'm sure you meant to be helpful, it is not my only opportunity, I believe there will be an opportunity when we've been able to consider, consider this in the light of your questions to give you a much better more accurate and helpful reply at that stage. As, as we did after the last interviews and so ...

DUFTON But that hasn't resolved the issue, so uhm, and that's why we're here today. But if you do, if we've wilfully, oh not wilfully, if we've misunderstood something that you can explain to us and can resolve issues that we've got that would be very helpful and if you do want to take the opportunity today to do it please do, if you want to take the opportunity in future please do.
(inaudible)

VENABLES Well can I say this. In order to know what you've misunderstood I need to know what your understanding is and just as last year we are given NO notice, forgive my being exasperated. We're given no notice of what you believe and what questions you wish to put.

DUFTON Mr Venables we believe you committed tax fraud, this is why you're being interviewed today and we believe ...

VENABLES Yes but you'll have to be much more specific, this is just

DUFTON ... yes but you haven't declared your income to us correctly.

VENABLES But that is a conclusion, now that is a conclusion which can only be derived from reasoning, you know there has to be steps of the reasoning. What you are not telling me, we're having to, this is the most absurd method of trying to arrive at the truth, with respect, this type of interview where we're not, we're not told in advance what exactly you're thinking is. If you can tell us in advance what your thinking then I can say you or those advising you have made the most fundamental errors of Trust Law and/or of Tax Law and I can tell you, as indeed I did last year. As we just looked in that letter of August 2021 ...

DUFTON But that hasn't resolved the issue.

VENABLES Well that's, well that's maybe because, look ...

SOLICITOR That's not Mr Venables' fault.
VENABLES You have to, the allegations, that answer, the allegations that were put in last years interview. If you have other things there that are troubling you and that need to be resolved, then you need to put them clearly and if you don't I can't read your mind.

DUFTON We can't read yours unfortunately either.
VENABLES No, no but you, you put, look you're the, he, there's an old legal maxim, 'he who asserts must prove'. If you're alleging fraud you must give full particulars and you must say why exactly you think there was a fraud, and it is the way we carry on in this country, a person is entitled to know what he's accused of with the fullest particularly so that he can indeed explain, make a defence and I'm sorry, my solicitor is, is, is nodding we ...

SOLICITOR We asked, we asked for just this before the interview.
VENABLES And we are getting nowhere. So don't be surprised that I'm not in a position to come back today and not give you an answer. At the end of this, as last year we, I may be able to glean or guess what it is that's in your mind but it's only a guess and I may be able to give you something that will address this point but the more frank and candid you can be the better response you're going to get from me, that, that again Phil is, Phil is nodding.

DUFTON Oh yes we, we agree fully with what you are saying Mr Venables ...

VENABLES Huh.
DUFTON ... what I am saying to you is, if you can see from what we're asking you that we've made a fundamental, what you believe to be a fundamental mistake, please let us know. You don't have to, if you want to have more time, but that's all I'm asking.

SOLICITOR Maybe we should continue.
DUFTON Yeah.
VENABLES Well not today, but I will most definitely consider because I have to act on my solicitors advice, I would definitely consider whether that could be made clear after this interview.

DUFTON Yes.
VENABLES Because we, the sooner this is cleared up the better.
DUFTON Exactly.
VENABLES Thank you. Sorry if I seem a little exasperated but, and okay.
BANKS Okay so I'm going to move onto [9.1]. Is that the one we just previously there, yeah [9.1].

VENABLES To which you've already referred.
DUFTON Yes, yeah we have done.
VENABLES This is a deed poll ...
BANKS Yeah.

VENABLES ... of 2003.

BANKS Correct. And so if you turn to page, could you just take that out please.

VENABLES Uh huh.

BANKS If you turn to Page 8 once you've got that open. I believe it should be highlighted, yeah? So this deed poll contains overriding powers, an example of such overriding powers is as seen in this 8 subsection 3 subsection B, this allows ...

VENABLES Sorry, sorry where did the 8 come in, this is Page 8 .

BANKS Oh sorry yeah, Page 8 yeah sorry that's the one.

VENABLES ... and what I think we're on, we're on clause 6, subclause 3 paragraph A.

BANKS That's my mistake yeah. Page 8, subsection 3, subsection B. This overriding powers allows the trustees to appoint or advance any capital to any of the potential beneficiaries with the Appointor's permission.

VENABLES That is not how I read it. Can you, would you like to read it to me because it doesn't appear to say that as a matter of plain English.

BANKS Okay, that's our belief.

VENABLES Would you like, well let me read it to you. The Appointor may in his discretion, direct the trustee to raise any sum or sums out of the capital of the trust fund and apply them for the benefit of any one or more of the beneficiaries. Now I do not read that as meaning the trustees may with the consent of the Appointor raise any sum or sums out of the capital of the trust fund. This is, that is an entirely different concept, I'm, I'm sorry I'm a trust lawyer and these, they may seem, appear to be the same thing to you, they are not to me and they are not in the law.

DUFTON That's why you're here Mr Venables to explain it to us.

VENABLES So I hope that was harmless, simply pointing out the misconception of what the, what it actually says.

BANKS So it's HMRC's belief the Appointor is you Mr Venables for all the trust partners as exemplified in [9.4]. Are you also a beneficiary?

VENABLES Can we stop there please again. Look I think we can make some progress today by, I can ask you questions about what you're saying and this would help me to, and my solicitor to understand what it is which would put us in a better position to respond, not today but after the event. Now what you, first of all you, do you appreciate that this does not, that this deed poll does not create a trust.

BANKS Uhm, in reference to this deed poll we're talking about sort of

creating overriding powers not creating a trust.
 VENABLES May I take you to the second paragraph of this.
 BANKS Of, of err, of this page?
 VENABLES Of [9.1] yes. So it's the opening, it's what we boys called a
 recital, it starts off 'WHEREAS'. Have you got that?
 BANKS Yeah.
 VENABLES It says, whereas it is intended by Robert Venables and others to
 make from time to time in various settlements, the settlement
 you could read trusts in this context they're the same. And it is
 apprehended that it will be more convenient for the bulk of the
 terms thereof to be set out in the standard deed which can be
 incorporated by reference into each settlement. So all this does,
 this is not creating any trust it is not creating any settlement, it
 is simply a set of standard terms and conditions so that if I or
 someone else in future wish to create a trust instead of this
 document is 53 pages long, instead of having the document
 longer by 53 pages one could say Robert Venables deed poll of
 February the 28th 2003 is hereby incorporated into the deed
 creating this trust and there might, there will usually be some
 caveat like in so far as the provisions there are not inconsistent
 with any express provision of this trust and there might even be,
 I mean there's so many possibilities with the following
 variations. This is simply, it is not an independent. It is not an
 independent, it doesn't create anything independently, it doesn't
 create a trust, it doesn't create powers of appointment, it creates
 nothing. It is simply a word saving provision. You might, you
 might refer the STEP, the Society of Trust and Estate
 Practitioners produces standard provisions for incorporation into
 trusts and the whole point is that when a solicitor is creating a
 trust for someone, instead of having to have typed out maybe 40
 pages of provisions he says the STEP trust provisions 2022
 edition are hereby incorporated by reference, subject to the
 following amendments. So that is the status and no more of this
 deed poll. I wonder if that's a fundamental misunderstanding.
 BANKS Okay yeah your comments are noted but I'm going to go through
 my questions that I have down in relation to this.
 VENABLES So can you go back to the question you put to me you see.
 BANKS Yeah that's fine yeah. So ...
 VENABLES Because I think, I think it's a bit, it's. One of the reasons it's
 impossible to answer is that it's premised on, well the premises
 are quite wrong.
 DUFTON Okay that's fine.
 BANKS So do you want me to repeat that question yes.

VENABLES I would like to hear it just again.
BANKS Okay. So this deed poll contains overriding powers an example of such is, and I direct you to as we said earlier, Page 8 ...

VENABLES Yes.
BANKS ... subsection 3, subsection B. That this allows trustees to appoint or advance capital to any of the potential beneficiaries with the Appointor's permission. The Appointor is you Mr Venables for all of these trust partners, as exemplified in [9.4] ...

VENABLES Err wait a moment.
BANKS Are you also a beneficiary?
VENABLES But you said, yes could I, could I ask you about again misapprehension, you said the Appointor is you and what was the rest of that sentence?

BANKS Uhm.
DUFTON For all the trust partners.
VENABLES Well where do you get that from you see, because that would only be the case, that could only begin to be the case if this 2003 deed poll was indeed incorporated by reference into every trust which was a partner of the RVQC Partnership. And I'm putting it to you, I won't say anything more, that that, I think that assumption maybe entirely misconceived.

BANKS Okay that's noted.
VENABLES So could I, just before we leave it ...
DUFTON I think there's some more questions.
VENABLES Sorry.
DUFTON I think there is another, James has got some more questions.
BANKS Yeah I've got some more questions to go through, do you want me to go through all the questions and then you answer or?

VENABLES Well it, it's just you meant, are you going to refer to clause 7?
BANKS Uhm no I don't believe so no.
DUFTON No, but if you've got anything to say about clause 7 please do.
VENABLES I think this, this could just be helpful. Clause 6 contains powers but then clause 7, which goes on for almost 2 pages, is called Provisions relevant to the previous clause, and you, this is just to say at this point, you must read clause 6 ...

DUFTON Right.
VENABLES ... in the light of clause 7. And if you don't, if you just read clause 6 by itself you're going to risk getting the wrong end of the stick.

DUFTON So clause 6 and 7 need to be read together.
VENABLES Absolutely and that's just ...
SOLICITOR I think as you say it's important to read the entire document (*inaudible*).

VENABLES Well of course yes indeed.

SOLICITOR The question is (*inaudible*)

VENABLES Uhm but let me, well okay.

BANKS Okay so I'm gonna continue asking my questions. Do the powers within the deed poll mean that as the Appointor you can direct any sums from any trust to yourself as beneficiary?

SOLICITOR Can you, can you, for my benefit and for Mr Venables too, can we just slow down the questions a little bit.

BANKS Yeah, so do the powers within the deed poll mean that as the Appointor you can direct any sums from any trust to yourself as, as a beneficiary?

VENABLES I won't explain that today.

DUFTON Okay.

BANKS Okay. So it's HMRC's belief that you have overriding powers to do whatever you like to, like to any sums in these trusts that sit within the RVQC Partnership vehicle. Do you agree and can you explain if you do not agree?

SOLICITOR (*whispering*)

VENABLES I can say at this point HMRC has complete misunderstanding, I don't know who's advising you on trust law but you need to get somebody who is far more competent who knows how to read a trust deed and to give you proper advice. I won't expand further on this today.

DUFTON Okay.

BANKS Okay that's noted. So you are the Settlor, you are the Appointor, you would take full control as the Appointor, you are able to appoint trust funds to another trust, you can add yourself as a beneficiary of that trust if you want and benefit it, benefit from it wherever you want to benefit from. Is that true Mr Venables?

SOLICITOR (*whispering*)

VENABLES I think I'll just say it today, that is a total misconception, again who is advising you on, on trusts?

BANKS I'm not going to comment on that.

VENABLES Well whoever it is I can tell you now they are not fit for purpose.

BANKS Okay that's noted.

VENABLES Ha, ha, ha.

BANKS Is this because the profits earned from legal services reported by the RVQC Partnership structure earned by you and nobody else and therefore you want to be able to keep or decide who you want to give these funds to.

SOLICITOR (*whispering*)

VENABLES Well again it's all based on the misunderstanding, the question, so I couldn't, I mean no, but again for reasons which will have to

be explained, you've really got to find somebody who knows, good heavens there are enough trust lawyers around, I mean a trust QC, don't even need to be a tax QC.

BANKS Okay.

VENABLES You need to have somebody advising, because you can't be expected to know these things I mean you know you have your own areas of expertise there's no personal criticism, but you've got to get in proper advice.

BANKS Okay that's noted. Do you agree that there are wide powers afforded to you under the deed poll. So that's the Robert Venables deed poll of the 25th, ah February the 28th 2003?

VENABLES Well it's a rather, I think I can't comment on that today because the expression wide powers is capable of so many meanings.

BANKS Can you explain it and point us in an alternative direction if you do not agree?

VENABLES I think not now. Look, with respect, this, and I don't mean any disrespect to either of you, you have your, you're in the enforcement, I imagine you too madam are in the enforcement team.

DUFTON I am sir, yes I am.

VENABLES So you cannot be expected to be trust law specialists and even if I were to say something today, the chance of your understanding it. Sorry this is something that needs to be thought about and put down carefully in writing.

BANKS Obviously this interview is being recorded so whatever you will say will be looked back on.

VENABLES I expect it will yeah. One needs to, look this is not an appropriate place and time to comment without reflection.

DUFTON That's absolutely fine sir.

VENABLES I'm sorry but you know.

BANKS So now we're looking in reference to the next document which is [another copy of 8.11] which is the RVQC Partnership deed of March 2016.

VENABLES We've not seen this before have we today?

BANKS I don't believe so no.

VENABLES Maybe I, okay maybe I.

DUFTON That was provided in pre-interview disclosure

BANKS It was provided yeah, I don't, I don't believe we've, we've seen it before.

VENABLES This is?

BANKS [8.11], so it should be that one there.

VENABLES But it looks awfully similar like [the previous copy of 8.11]. Is that the same, looks identical to me, which we ...

SOLICITOR Uh huh.
VENABLES ... even the, the manuscript insertion of the date, but never mind anyway, whether we've seen it before or not.

DUFTON (*inaudible*) It's that big folder.
VENABLES And most unusual to have 2 partnership deeds on the same day.
BANKS And so ...
DUFTON Lets have a look in here.
SOLICITOR I'll do it.
VENABLES There it is, sorry.
BANKS It is the right one there, have you got that one.
SOLICITOR No I think the question was simply is this a replica of [the previous copy of 8.11] which seems to be the same document.
BANKS Okay let's look ...
SOLICITOR It's just been duplicated (*inaudible*)
BANKS Yeah.
SOLICITOR That's fine.
DUFTON (*inaudible*)
VENABLES Okay, if it is as [the previous copy of 8.11] is already open I'll go back and look at that ...
BANKS No that's fine.
VENABLES ... rather than getting this out.
BANKS So could I direct you to Page 14 of this document, and you can see, I think there's a paragraph that starts 'Provided that', can you see that?
VENABLES This looks as if we're in the middle of a, let's see where we are, we're in the middle ...
DUFTON It's Page 14 isn't it?
VENABLES Yes I know I can see that, I think your clause 6 which starts on Page 11 ...
BANKS Yeah but I'm, I'm referencing ...
VENABLES I, I, no, no but I think it's, forgive my being ...
DUFTON No please tell us sir.
VENABLES We have to be punctilious about where we are and, so this is a, there's then a, on page, there's nothing worse than just looking, you see this is something that goes on for, uhm over 2 pages, so it's very, we will need to be very careful about noticing where things come in. There's, we're in the context of sub paragraph k, little k ...
DUFTON Uh huh.
VENABLES ... and there are 2 provisos to that and we're dealing with the first proviso ...
BANKS Yeah we're ...
VENABLES ... that starts Provided that.

BANKS ... we're gonna look at all 3, all 3 of the provisos okay.

VENABLES Okay, right.

BANKS And so ...

VENABLES So shall we, shall we just say what this is.

BANKS Yeah, do you want me to read the provisos out or ...

VENABLES Well no it's even before we get to the provisos you see, we need to know the context.

BANKS Okay.

VENABLES I mean, Phil, you need to know too you know. This, clause 6 starts 'Subject to the next clause' so that may or may not be relevant. So clause 7 potentially needs to be taken into account in construing clause 6. Income profits, and I'm paraphrasing, of the partnership for the accounting period beginning April the 10th 2014 and ending April 9th 2015 and each subsequent accounting period up to and including the accounting period ending on April the 9th 2030, ah ha that might be some indication as to how somebody's got the wrong end of the stick in a different context, shall be shared in the following proportions. And so what it does, the point of clause 6 appears to be, to set out profit sharing ratios of the partners, profit sharing ratios as far as regards income, so that's relatively straight forward and what you have is a, b, c, d, d, da, db, dc, e, f, g, j, k and each of these the structure is the people who under a are said to get profit shares, they get their profit shares first and then each of the others, as far as I can see, goes on subject to subject to because of course it may be that the profits of the partnership, nobody knows in advance what they're going to be, maybe that there aren't enough to pay everybody, and so you have as it were a pecking order and so k is I think the last of all, as it were provided there's something left after everything in (a) to (j) has been paid out, all the rest goes to what is called the residuary partner and that's a defined term it may be defined in this deed it may be defined some other part, oh it is, it is defined and that is defined in clause 2, 2. Would you agree with that?

BANKS Would you repeat that, sir?

VENABLES Yeah I think the term 'the residuary partner', if you look at Page 9 is defined in clause 2 ...

BANKS 2 yeah.

VENABLES ... 2 and you'll find that it's a different partner.

BANKS Yeah for every single year up to 2030 yes.

VENABLES With regards to, oh, ahh right yes. So it's a different partner for each accounting period up to 2030.

BANKS Correct.

VENABLES Okay I think we can agree with that. So that puts the context of your questions, it's very important context is everything when understanding a legal document. Forgive me for being ...

BANKS No it's alright.

VENABLES ... this is the way we lawyers have to do it.

BANKS So my question is ...

VENABLES Yeah.

BANKS ... specifically in regards to the 3 provisos as you called them on, on Page 14 of the, of this document, and so the question is do these, do these mean that you could transfer profit shares to whoever you want including to your, including to yourself, whenever you want, because actually you're the only one providing legal services, so why wouldn't you want the full powers to keep the profits that you have earned, and if you disagree could you please answer that.

VENABLES Good heavens.

BANKS Would you like me to repeat the question or?

VENABLES Well I think we'll have to take it bit by bit, I mean ...

SOLICITOR (whispering)

VENABLES My, my initial impression without having considered this in detail, it is again based on misconception, misapprehension, misunderstanding. How wonderful if we could have been given lots of notice of this, so you could have an answer prepared today, we would have given you something in writing no doubt, a prepared statement which you no, would no doubt find helpful, but you can't do these things on the hoof. Now I'm going to ask you to repeat that and if you don't mind I'll interrupt at a certain point ...

BANKS Yes.

VENABLES ... to say where it, where I, where I think we've already begin to part company.

BANKS Okay, so just stop me whenever.

VENABLES Yeah.

BANKS Does this just mean you can transfer profit shares to whoever you want including to yourself whenever you want?

VENABLES Stop.

SOLICITOR (whispering)

VENABLES Well it doesn't mean, I don't, it doesn't mean that at all and I ...

DUFTON Okay.

VENABLES ... can't understand how you, how anybody who knew the first thing about trust law or have the least understanding of the English language could form that view, this, this was somehow the result of these provisos.

BANKS Okay, and it carries on. Because actually you're the only one providing legal services so why wouldn't you ...

VENABLES Well stop there. What is the, sorry, I'm the only one providing legal services. What do you mean, so what's the relevance of that?

BANKS In the fact that no one else is providing legal services and the funds going into the partnership it's just yourself.

VENABLES Well. I'm sorry. It's impossible to deal with this verbally I'm sorry, but again misconception ...

BANKS Okay.

VENABLES ... again, misapprehension and then carrying on there was then some, there was some sort of argument you were going to put.

BANKS Err you were the one providing legal services so why wouldn't you want full powers to keep the profits that only you have earned.

VENABLES Why does anyone, sorry I'll, I'll, I will really have to come back on this later but the, that reasoning seems to me to be entirely specious.

BANKS Noted. Okay.

VENABLES And I'll explain why, well I will consider if we can explain why in writing.

DUFTON Thank you.

BANKS Okay so going back to my earlier questions about the inclusion of the Oxford Colleges from the 5th/6th of April 2017 as beneficiaries of the Residuary Partner Trusts. You can see from this clause in the partnership deed that whilst the colleges were in theory, in theory entitled to a very small share of the income of the Residuary Partner for the period ended 9th of April 2017, this clause effectively takes away, it takes this away and ensures they would receive nothing. Again, what was the purpose of including the colleges as income beneficiaries of the Residuary Partner Trusts from the 6th to the 9th of April in all accounting periods?

VENABLES The question is not, where do we start, I'm sorry it's, I'm just think, I just need, thinking if there's anything I can usefully say in terms of clearing up misapprehensions. Look let us take ...

SOLICITOR Shall we have a short break so we can have a quick discussion about this and then return and have a think about what something that can be said. I think that would be helpful given (*inaudible*)

VENABLES If, if anything, it may be nothing.

There was then a break in the interview from 12:14pm to 12:23pm.

Interview: 12:23pm to 1:21pm

Mr Venables asked Mr Banks to repeat the question which he had asked just before the break.

- BANKS Okay. So going back to my earlier questions about the inclusion of the Oxford colleges from the 5th ...
- VENABLES Ah right.
- BANKS ... and 6th of April 2017 as beneficiaries of the Residuary partner trusts you can see from this clause in the partnership deed that whilst the colleges were in theory entitled to a very small share in the income of the Residuary partner for the period ending 9th of April 2017 this clause effectively takes this away and ensures that they will receive nothing. Again, what was the purpose of including the colleges as income beneficiaries of the Residuary partner trust from the 6th of April to the 9th of April in all accounting periods?
- VENABLES Okay I won't comment on this because it's based on a misapprehension of the period during which the Oxford colleges were income beneficiaries of the various trusts.
- BANKS Okay and then why were the colleges included as beneficiaries if they were never going to be entitled to any trust income?
- VENABLES That again is based on a misapprehension.

Mr Banks then referred to a printout from the Gov.uk website containing guidance on Trusts and taxes, which Mr Venables said that he had not seen before.

- BANKS Yes. The first question is do you know what a settlor-interested trust is?
- VENABLES Well I know that it is a term that's used in tax law and it has different meanings in different contexts and sometimes it is used as a term of art and sometimes it is used simply by practitioners as a shorthand. So that could depend on the context. Was there any particular context, statutory context you had in mind?
- BANKS I guess it will be answered in the questions, further questions that I'll ask but initial question was just do you know what a settlor-interested trust is?
- VENABLES Well I can't say anything more than that really cos it's just, it depends on the context.
- BANKS Okay. Have you written a book called The Taxation of Trusts 2010?
- SOLICITOR I appreciate why you're asking the questions but if you know

the answer to a question (*inaudible*) it seems pointless to me to ask those questions here today but you can ask if you like.

BANKS I'm gonna ask it. So it's up to you whether you answer or not.

VENABLES Which one is it?

SOLICITOR No I can't answer for you.

VENABLES No, no, no I mean sorry do ...

BANKS Do you want me to repeat the question?

VENABLES No I understand it. I might well have done it is twelve years ago. I've written so many books in my lifetime. Does it purport to be by me? Has it got my name on it?

BANKS Well my next question is are you very knowledgeable about the mechanisms of trusts and how they're taxed?

VENABLES Well that would be for others to say. I'm far too modest.

BANKS Okay.

DUFTON I think actually we were gonna say you are very knowledgeable.

BANKS Would you yeah, would you agree that you are very knowledgeable about the mechanisms of trust and how they're taxed?

VENABLES Far too, well some people think so but I'm not the person to.

DUFTON How, how many books have you written Mr Venables?

VENABLES Oh I don't know I mean I'm sorry because over the years I started in 1983 and there have been so many of them I mean one book alone went into eight editions I mean I just can't remember, enormous numbers of books.

DUFTON Are they all about trust law ...

VENABLES No.

DUFTON ... (*inaudible*)?

VENABLES They're not all about trust law, no.

DUFTON Okay.

BANKS So have you created the trust, trust structure the structure of RVQC Partnership to evade the true amount of tax due by you as a sole trade barrister?

VENABLES I'll give an unequivocal answer to that, absolutely no.

BANKS Have you implemented the structure with complicated layering with your high level knowledge of trusts and taxation to dilute your barristerial profits and evade paying the correct amount of taxes due by you?

VENABLES I didn't quite hear, it was something about diluting barristerial profits I'm not sure what that means but then the next word was?

BANKS And evade paying the correct amount of tax due by you.

VENABLES Unequivocally no.

...

BANKS Okay so I am now going to take you through a tax year of RVQC Partnership from the partnership deed through to the result of the RVQC Partnership structure. At any point please jump in and let me know if I've made an error or I've not interpreted the mechanism correctly. I will remind you that this is your opportunity to do so. I'll go through the tax year 2017-18 as a representative of all the tax years under investigation.

VENABLES So 2017-18?

BANKS That's correct ...

VENABLES Yeah.

BANKS ... and we'll go through that, just that specific year okay.

VENABLES Okay.

DUFTON That hasn't been chosen for any specific reason ...

BANKS It's just an example.

DUFTON ... that's just an example.

VENABLES No, it's thought to be illustrative?

DUFTON Exactly.

BANKS Yeah.

VENABLES Fair enough I understand that yeah.

BANKS So do you create or author partnership deeds each year for the purposes of allocating profits to trust partners?

VENABLES I think I won't comment on this now it's, it's not the sort of question to which you can give a yes or a no answer. There's so much needs, there's so much ambiguity in the question.

BANKS Okay. Do you decide how much profit share each trust will receive, ie their entitlement?

VENABLES The short answer to that, if you mean each trust which is a partner of the partnership, is no.

BANKS Okay. Do you have complete discretion to allocate what you want when you want?

VENABLES Again I can say no.

...

BANKS So do you agree that there are two types of trust partners within the RVQC Partnership structure that you have implemented?

VENABLES Two types. I'm sorry that would be a gross over-simplification.

BANKS Okay.

VENABLES I, you know so the short answer has to be no, but I ...

DUFTON Okay.

BANKS So it would, it's not correct that the two types of partners are interest in possession trust partners and bare trust partners?

SOLICITOR (*whispers*) I'm happy to take (*inaudible*)

VENABLES Well I, ah yes if that's you see this is, this is where you see it becomes easy. Sure some of the partners are the trustees of bare

trusts, some of the partners are trustees of non-bare trusts and it may well be but I can't be absolutely sure at the moment because I would have to consider them all, that all the trusts which are not bare trusts are interest in possession trusts, but again don't quote me on that because there's just so many of them I can't, I can't remember I would have to check through each, each and every deed.

- BANKS Okay.
- DUFTON Okay.
- BANKS What is an interest in possession trust?
- VENABLES And I'm surprised your trust lawyer didn't tell you. Oh or is your question is what is my understanding of what is an interest in possession trust?
- BANKS Yes.
- VENABLES May I take this one or is it? No?
- SOLICITOR You know my advice.
- VENABLES Okay. Well I think you should know that yourselves.
- BANKS Okay what is a bare trust?
- VENABLES Okay you ought to know that yourselves if you have any half competent trust advice.
- BANKS Okay and what are the tax implications of these trusts?
- VENABLES How many hours do you have?
- DUFTON Ha.
- VENABLES Sorry I mean good heavens how many days do you have? I'm sorry it's absolutely impossible to answer that question.
- BANKS Okay sir.
- VENABLES Or weeks even.
- DUFTON Ha.
- BANKS So as a person who's written a number of books on taxation of trusts in particular the one we talked about earlier The Taxations of Trust 2010 it's HMRC's belief that you do not, you do know what these types of trusts are and know exactly how they are taxed. Would that be correct?
- VENABLES I, well, you will know what HMRC's, HMRC's understanding is, I can't say what HMRC's understanding is so I can't comment on that.
- BANKS Each year there are allocations to two partners, the Residuary partner and the GBM partner, Gary Bernard Morris partner, that have been detailed and preplanned until 2030. Can you confirm this?
- VENABLES Would you repeat the question. I think ...
- BANKS Okay. Each year there are allocations to two partners, the Residuary partner and the GBM partner the Gary Bernard

Morris partner, that have been detailed and pre-planned until 2030. Can you confirm this?

VENABLES That is not my understanding of the way the partnership deeds operate.

Mr Venables was taken to page 10 of the RVQC Partnership Deed of 4.4.13 (8.6), where the identity of the Residuary Partner, and the GBM Partner, for the accounting periods ending on 9th April of each of the years 2013-2020 are listed.

BANKS Did you create and plan these lists?

VENABLES I'm sorry it's impossible to give a straight yes or no answer on that so I won't comment.

BANKS So just concentrating on the years 2017 on this list can you confirm that the Residuary partner is St Augustus' Trust and the GBM partner is St Mathias' Trust?

VENABLES Well we can both read what it says but I was a little bit intrigued by your question, would you give me the precise question again. You talked, did you talk about the year?

BANKS Yes so concentrating on one tax year.

VENABLES These don't refer to tax years these refer to accounting periods.

BANKS Sorry yeah accounting periods yeah. Can you confirm for the 2017 that is Augustus' Trust and Matthias' Trust?

VENABLES But ...

SOLICITOR I think we should be more specific so you're saying under the, does the wording of this, ...

BANKS Yeah.

SOLICITOR ... this paragraph include certain wording? I think you could read that off the document itself.

BANKS Okay.

SOLICITOR But again I think as Mr Venables says it's very important to be specific here.

VENABLES Very important.

DUFTON Well I ...

SOLICITOR Again let's use, let's use the words accounting period ending April the 9th.

BANKS I'll use them words there okay. So the accounting period April 9th but for 2017 in relation to the Residuary partner and the GBM partner.

SOLICITOR I'm sorry I'm still lost on the question.

VENABLES I'm not surprised Phil. This is ...

SOLICITOR Let's take it back to the start (*inaudible*)

DUFTON Well shall we say, shall we say it like this. We're concentrating on the 17/18 tax year. It's HMRC's understanding reading this

document that we believe that 2017 the Residuary partner on that document is the St Augustus' Trust and the GBM partner is the St Mathias' Trust.

SOLICITOR But you just said, you just said the tax year. Are we talking about the tax year or the accounting period?

DUFTON Well 20, if the accounting period ends the 9th of April 2017 that falls into the 17/18 tax year.

VENABLES You see this is something that needs to be explained.

DUFTON Yes.

VENABLES You see there's no reason, Phil is a very intelligent guy but he doesn't know ...

DUFTON That accounting period.

VENABLES ... I mean he couldn't possibly be expected to know about, about how this ridiculous system which only in Finance Act 2022 and the Revenue eventually got round to altering for the future and how this ridiculous system of taxing people on artificial profits worked and I suspect I shall need to come back to you on that. What it says is what this document appears to say is that for the accounting period ending and you can read it as well as I do that the accounting period ending April the 9th 2017 ...

DUFTON Which would fall in the 17/18 tax year.

VENABLES ... well let's come back to, that's a separate question. Look as I understood your question sir it was asked to the meaning of this partnership deed ...

BANKS Hmm.

VENABLES ... it was not as to the fiscal consequences. Can we, sorry can we take it step by step? I know it may seem tedious but I find that people make mistakes when they jump through ...

BANKS No.

VENABLES ... and even I ...

BANKS That's fine.

VENABLES ... you know as a QC for thirty two years I have to do things slowly, meticulously, rigorously, step by step, otherwise I know if I try to jump steps I may fall into error and it may seem tedious but it has to be done, this is very important stuff. Now all the partnership, this partnership deed says is, and we can all read this, is that the Residuary partner for the accounting period ending April the 9th 2017 is the St Augustus' Trustee, and the GBM partner for the same accounting period is the St Matthias' Trustee. Are we all agreed on ...

DUFTON Yes we are.

VENABLES ... and your only question was does this, ...

DUFTON (Laughing)

VENABLES ... am I reading this the same way as you read it? Well the answer to that is yes. I mean that's pretty straightforward but now you will obviously have a supplementary on this.

BANKS Yeah so do you also decide on profit shares for the bare trusts within the RVQC Partnership structure?

VENABLES Well again that's such a wide question you see. It's not something I can give a yes or no answer to. I really can't comment. If, if you can show me where this is going and to what it's directed, again this is, this is where the complete absence of any narrative, any, oh well ...

DUFTON Well it's like you say we've had to go through the steps.

VENABLES ... we made our point. Sorry?

DUFTON It's like you say we had to go through the steps and that's what we're doing.

BANKS Yeah I will be going sort of through the questions.

DUFTON Everything will be clear by the end hopefully ...

VENABLES Okay.

DUFTON ... to you.

...

BANKS Okay so is there anyone else that has the power to decide on profit allocation of the RVQC Partnership structure apart from you?

VENABLES Could I simply refer you to the partnership deeds ...

BANKS Okay.

VENABLES ... which decide on the profit allocation.

Mr Venables was asked about the net partnership profits of £895,824 on the partnership tax return for 2017/18.

BANKS So did you allocate the profit share to all of the trust partners in this tax year?

VENABLES The short answer to that is no.

BANKS Okay. Did you sign the partnership return?

VENABLES Yes.

Mr Venables was asked about the allocation of £70,000 of the profits to himself, and asked to see the partnership tax return, which was shown to him (7.11, p6).

VENABLES It's, thank you very much. Assuming this is a true copy of the tax return I've put in, I see it says that my profit share as an individual was seventy thousand.

BANKS Okay.

VENABLES And I see that the profit share of the St Augustus Trust was

£543,676.

BANKS Okay.

DUFTON (*Inaudible*)

BANKS I've got (*inaudible*) So St Augustus, could you confirm that St Augustus' Trust is the Residuary partner for this tax year as we showed you earlier on this document?

VENABLES No again you've misunderstood. I think there's a very important distinction. We looked at a deed, we'd better look at it again. We thought we'd made this, I thought I'd made this abundantly clear, that the way Residuary partners are defined is not by reference of tax years but by reference to accounting periods, and so obviously it was not the Residuary partner for the tax year 2017/18, you've just got to read, are you having difficulties with that?

DUFTON No.

VENABLES Shall we go back and have a look at the document. There were two of them. It was one of the deeds, it was one of the partnership deeds.

Mr Venables turned to the partnership deed of 4.4.13 (8.6), at page 10.

VENABLES ... we've been through all this and we went out of our, we were at pains to point out that 'Residuary partner' means, and it's as respects a particular accounting period.

BANKS Yes.

VENABLES So the St Augustus, it says here the St Augustus Trustee was the Residuary partner for the accounting period ended April the 9th 2017.

...

BANKS Okay so I'll move onto my next question. So in, in that year 17/18 which we've been discussing, the second largest share of the partnership profits is for £83,400 and this is allocated to the GBM partner St Matthias' Trust. Can you confirm this is correct?

VENABLES But you know it's not correct you've just said so. Look may I, may I take you back? Let me just deal with the absolute fundamentals of the way that partnerships are taxed. It is the most stupid system imaginable. It was introduced at the behest of the Commissioners of Inland Revenue in the mid 90's. It has been with us ever since and only very, very recently has it been decided that this method of taxing, it's not just partnership profits it's trading profits of a sole proprietor but here it's partnership profits, is the most ridiculous system imaginable and

so in Finance Act 2022 changes to the law have been enacted. They won't fully come into force for another year or two, but the way in which under the current rules it works is this, that a partnership of course is not, forgive me if I go back to absolute fundamentals but I think this will be helpful I'm sure to Phil and maybe to you too. A partnership is not a taxable entity, it is what is sometimes known as fiscally transparent. Only the partners are taxable so that's very, very important to understand.

DUFTON
VENABLES

Yes that is correct.

A partnership has to put in a tax return every year, but of course it's not liable to tax.

DUFTON
VENABLES

No.

Now, what a partnership has to do is to put in a tax return showing the profits not of the tax year in question but of what is known as the basis year ...

DUFTON
VENABLES

Yes.

... for that tax year. I forget – this is obviously familiar to you but I think it's very important that this is not misunderstood.

DUFTON
VENABLES

Yes please, please.

And this can vary in opening and closing years when a partnership first starts and when it finally terminates but once a partnership's been going as this has for many years, once, after the first or second year at the very latest, the rule is that the relevant accounting period for the partnership return for a tax year is not the twelve months of that tax year which you would think was logical, and that happens virtually everywhere else in the globe, it is the accounting period of the partnership which terminates in that tax year, and that is why the tax return of the partnership for 2017/18 did not disclose partnership profits, real profits for 2017/18, but disclosed partnership profits of the accounting period beginning the 10th of April 2016 and ending the 9th of April 2017.

DUFTON
VENABLES

Yes I agree totally with everything you're saying.

And there is just because I think while we're on this, thank you that's very helpful, you must also understand the way in which partners of the partnership are taxed. There is a similar fiction and this doesn't, it makes no difference whether they're individuals or trusts in that they too are not taxed on their actual share of partnership profits for a tax year. Again, subject to special provisions in opening years and closing years which actually might be in point here, you'll see where we go, especially the closing years, that is when a partner begins to be a member of a partnership and ceases to be a member of a partnership ...

DUFTON Yeah.

VENABLES ... and so especially the closing year rules will I think possibly be relevant to some of the questions you might be asking again I'm only guessing, but again the basic rule is that the taxable income of the partner, of a partnership for a tax year is not the partner's real income for that tax year, I'll let you get this down this is so important and I think this has been completely misunderstood, was completely misunderstood in interviews last year. It is the partner's share of profits for the accounting period which formed the basis period for the partnership's tax return for that tax year. You may think the system is completely mad; I didn't invent it, the Inland Revenue Commissioners, the predecessors who were merged into HMRC, invented it and have kept with it for the best part of thirty years. Now, could I give an illustration it just might help.

DUFTON Yes that would be very helpful.

VENABLES Because these, these things are it states (*inaudible*) that you need a damp towel to put round your head sometimes this is true of a lot of tax law, whereas an illustration is much better. Let us take...

DUFTON Well could you use the year that we're asking about, the 17/18?

VENABLES Yes I think that would be a very good help. Could I, could I perhaps take the St Augustus trustee?

DUFTON Please.

VENABLES Now ...

Mr Venables turned to the Partnership tax return for 2017/18 (7.11), at page 6.

VENABLES ... the partnership return we know is the, shows the profits of the accounting period ended in this case April the 9th ...

DUFTON Yeah.

VENABLES ... 2017.

DUFTON Yes.

VENABLES Right and, if you take the St Augustus' Trust, and if you ask what is its taxable income, its taxable income, for 2017-18, it is not its actual income for that year. Its taxable income is computed on a totally fictitious basis.

DUFTON Which is?

VENABLES Which is what was its share of profits of the partnership for the accounting period ended April the 9th 2017?

DUFTON And in reality for that year what are we saying that figure was?

VENABLES Well what we have according to this, according to the tax return was I think a figure of was it about ...

DUFTON Was it five hundred?
 BANKS Yeah £543,676.
 VENABLES That was yeah that, it included that. That, shall we call it the five hundred thousand odd?

DUFTON Yes.
 VENABLES Yeah. It included that but it included a little bit more besides because this is where the caveat I expressed came in. Sorry you're not, you're not absolutely, I do want, I do want to take our time with this because it is so fundamental and I suspect it is, this is where, this is the source of considerable misunderstandings on the part of HMRC and why they think, quite wrongly, that tax had been underdeclared and paid when it hasn't so this is going to the absolute heart of things and this is why it's ...

DUFTON Yes exactly that's why we're here.
 VENABLES ... indeed well yes. So I will just mention one slight, sorry have you got that point?

DUFTON Yes.
 VENABLES Now there is one slight rub. The St Augustus's Trust actually ceased to be a partner I know, don't quite know when but sometime I think towards the end of the tax year 2017/18 and because it was the closing year for the St Augustus's Trust being a partner ...

DUFTON Sorry can I ask a question?
 VENABLES Yes.
 DUFTON Sorry. Did it cease to be a partner in the tax year of 17/18 or are we talking about the accounting period, so was it prior to the 9th of April 2017 or after the 9th of April 2017?

VENABLES I, it ceased to be, let me, I will check in a moment ...
 DUFTON Thank you.
 VENABLES ... normally the return for, the partnership return for 18/19 would show us this but it ceased to be a partner, this is purely recollection ...

DUFTON Okay (*inaudible*)
 VENABLES ... let us, it was probably somewhere between 1st of April and 5th of April 2018. Does that seem about right to you? Well again you would have to check ...

DUFTON Yeah (*inaudible*)
 VENABLES ... none of us can remember exactly.
 DUFTON No exactly.
 BANKS Seems about right
 VENABLES But it ceased to be a partner in the tax year 2017/18.
 DUFTON But that's not its tax year is it? Well this is where it gets, I can see exactly what you mean about it getting confusing because in

its accounts where it lists its share of the profit it was getting its tax year 17/18 ended on the 9th of April 2017 so anything after that date...

VENABLES Ah well no, no, ah well this is no this is where you see okay let me ...

DUFTON Did it have more than one set of income so that came at different parts of the 17/18 tax year?

VENABLES You are asking some, if I may say so, some very intelligent questions. Exactly, and this is what I, what I, what you need to, this is absolutely vital it's not been understood clearly. Years down the line, this started in 2018. The people in the civil dispute ought to have raised all this this should never have come to criminal matters. Just as a partnership has a basis period for a tax year, so the individual partners have a basis period. Now the prima facie, the basis period of the St Augustus's Trust for the tax year 2017/18 was the period beginning April the 10th 2016 and ending April the 9th 2017.

DUFTON Yes.

VENABLES However, there is a special rule which applies in the year in which a partner ceases to be a partner of the partnership, and that extends the basis period for that tax year ...

DUFTON Okay.

VENABLES ... so that in effect the basis period for the St Augustus' Trust for 2017 to 18 began April the 10th 2016 and ended let us say April the 5th near enough 2018.

DUFTON Okay yeah hmm.

VENABLES And so what you had to do in order to work out the taxable profits of the St Augustus' Trust for 2017/18 was to add to its profit share for the accounting period ending April the 9th 2017 its actual share of partnership profits for the period beginning April the 10th 2017 until the day it ceased to be a partner. From recollection let us say April the 5th 2018.

DUFTON Yes.

VENABLES And that's, and if you, you haven't I think produced any trust returns tax returns have you in this huge bundle?

BANKS I think we have yeah.

VENABLES Well do you have the tax return for the St Augustus' Trust for 2017/18?

DUFTON *(inaudible)*

VENABLES Because it would show exactly, it would show exactly how this works. You would need its partnership pages and this is, you would see how everything has been properly returned as it should have been.

BANKS Could you just give me the index Maryann?
DUFTON Oh yeah (*inaudible*)
BANKS So what document are you saying?
VENABLES It will be, you're looking to the tax return of the St Augustus' Trust for the tax year 2017/18 and that would have included something known as partnership pages.
BANKS No I don't think, that wasn't included in the bundle no.
VENABLES No, no, no.
DUFTON (*Laughing*)
VENABLES Okay. Well I can't, oh right then I'm going to have to explain. Sorry these things these are difficult, this is why you need tax QCs, this is why I ...
BANKS (*inaudible*)
VENABLES ... the law is very complex and people need advice on how it all works and this is why people like me earn a living. You know it's, wouldn't it be wonderful if tax law were always simple and logical ...
DUFTON Well ...
VENABLES ... but it's not you see.
DUFTON ... if it was meant to be, people ...
VENABLES Ooh.
DUFTON ... challenge it don't they it's been going on for such a long time.
VENABLES Well I think well if I can just say off the cuff I think what the Revenue have eventually done and what Parliament has done in this Finance Act 2022 is the sensible thing they should have done years ago which would make life so much simpler, by making all partnerships and all, well all partners and partnerships taxable only on their actual profits as opposed to fictitious profits.
DUFTON Right.
VENABLES But that, let me, let me say how let me say how the trust return of St Augustus' Trust ...

Mr Salvesen located the St Augustus's Trust tax return for 2017/18 (7.19) from the bundle used in the previous interviews.

VENABLES Because you see if you go to page 3 first of all, question 2 is did the Trust make any profit from the partnership?
DUFTON Yes ticked yes.
VENABLES And it's been correctly answered yes ...
DUFTON Yeah.
VENABLES ... and, therefore you have to include the trust and estate partnership pages. Now we then go onto those, these will be a

separate document they're probably right at the end of this, after the end of the return. Ah oh and by the way on, if you look at page 11 ...

DUFTON

Yes.

VENABLES

... we've answered one of our questions. Page 11 question 21 and the fourth one down there is 'if you are a trustee and the trust was terminated in the year to 5th of April 2018 please enter the date of termination' ...

DUFTON

Yes.

VENABLES

... and it was indeed the 5th of April 2018. So you can see why this is going to be (*inaudible*) well (*inaudible*). After page 11 the next page is then the trust and estate partnership pages. Now you will see and you can't make a lot, total sense out of this without the notes.

DUFTON

(*laughs*)

VENABLES

That's why HMRC produces notes that's no criticism.

DUFTON

Oh I see what you mean the notes that come with (*inaudible*)

VENABLES

Yeah which aren't here but I mean you'll probably be able to take it on trust from me cos it will make a lot of sense. So it's ...

DUFTON

They are on the internet as well.

VENABLES

... can you see about ten lines down in there's black shading with white text the share of the partnership's trading or professional income.

DUFTON

Sorry what on what page are we on?

VENABLES

This is on page, oh I'm sorry it's after page 11 ...

DUFTON

Or you can tell me if you could tell me by the box number actually cos that's what I'll probably go by. What box number?

VENABLES

The box number is 2.5.

DUFTON

Oh lovely thank you yeah.

VENABLES

Now the base it says when is the basis period starting and ending?

DUFTON

Yes.

VENABLES

Now that is the basis period not of the St Augustus' Trust, but the basis period of the RVQC Partnership.

DUFTON

Okay.

VENABLES

And again if you don't well anyway I don't think it's gonna be immaterial but check, check the, check the notes for filling in this form and ...

DUFTON

Okay.

VENABLES

... (*inaudible*) that. And so we know what that was, and then the figure which is put in is exactly what you would expect, £543,676, because that was, tallies with the partnership return, but then you have adjustment to arrive at profit or loss ...

DUFTON Yes.
VENABLES ... for this basic period and you've got a further sum of £50 added ...

DUFTON Yes.
VENABLES ... and the reason that £50 has been added is that was the actual income, actual profit share of the St Augustus' Trust for the period 10th of April 2017 to 5th of April 2018. And again, not clear from the form but you know clear from the law and clear from the notes, you have to add those two together ...

DUFTON Yeah.
VENABLES ... to find the St Augustus' Trust taxable income for 2017/18 which is there at the bottom, see the bottom line at the bottom of the page.

DUFTON Yeah.
VENABLES 543,726. Now, no I mustn't, this is, I know this is it's a bit slow going Phil but it's very, very important ...

SOLICITOR Don't worry about me.
VENABLES ... we get this straight ...

SOLICITOR Hmm.
VENABLES ... it really is, because, and there's no more to it. And the trust pages sorry the trust, a trust tax return, let me say this, a trust tax return is the most unsophisticated of documents. I am not employed by HMRC, they don't take my advice as to how they should draw up their documents, perhaps they should. But you might be astonished to see that nowhere on a trust tax return is any, any, anything required as to who are the beneficiaries. You see, contrast a partnership tax return,, that makes sense the partnership's not only had to say what the partnership profits were but what the profits of each individual partner were.

DUFTON Yeah.
VENABLES I've always found it just amazing that there's nothing on a trust tax return that says well which beneficiaries were entitled to what, you see. Anyway that's, that, so all it gives you is total taxable profits from this business of 543,726. Now you'll notice that there is a huge discrepancy in 2017/18 between the actual income of the partnership for the year which was fifty pounds and its taxable income which was more than half a million pounds. Again don't ask me why that's the case, I don't write the rules, I'm not HMRC I don't procure our tax laws as HMRC does. You're looking a little, again it's very important we understand.

DUFTON No, no, no I was just wondering why they're laid out like this and why, which is completely not relevant to this situation.

VENABLES Well I suppose, look I again haven't advised HMRC on how they draft their forms, you know, somebody in HMRC must have decided this was the way to do it. I think you can see in a sense that basis period, or actually I think I can tell you, this is pure supposition ...

DUFTON Hmm.

VENABLES ... but you can tally this up with partnership returns. It gives them a, yes this does make sense you see, because basis period of the partnership 2.5 and 2.6...

DUFTON Yes.

VENABLES ... the partnership will have made a return ...

DUFTON Yes.

VENABLES ... for that basis period ...

DUFTON Yes.

VENABLES ... and it will have said St Augustus' Trust got 543,676.

DUFTON Yes.

VENABLES And so HMRC can if they want to do an audit if you like a cross check. Then in order to find out what the St Augustus' Trust, whether that fifty quid was correct, they could have gone to the tax return for 2000, of the partnership ...

DUFTON Yeah.

VENABLES ... for 2018/19 ...

DUFTON Yes.

VENABLES ... that would have shown what the St Augustus' Trust share was for that year and that should have shown fifty quid.

DUFTON Yes, yeah.

VENABLES And, therefore doing it this way enables HMRC, it's in a better position as it were to audit and make sure that the trust tax return at least marries up with the partnership tax return.

DUFTON Yeah.

VENABLES That's probably why they did it.

DUFTON And it means you don't have to put in another page for 18/19 necessarily because the (*inaudible*) income's been declared on this return.

VENABLES Well yes you see you don't put it, well the trust didn't exist in 18/19 ...

DUFTON Yeah.

VENABLES ... so that's why you have to have this closing year rule. (Beeping) It kind of does make sense. Is that coming to an end or something?

DUFTON Yes we're going to have to stop.

The tape was stopped at 1:21pm

Interview: 2:17pm – 3:58pm

Mr Venables was reminded of the caution.

Mr Banks referred Mr Venables to the Deed establishing the St Augustus's Trust (9.4).

BANKS Okay so can you confirm you are the settlor of the trust as stated on this deed?

VENABLES I think at this point I say nothing.

DUFTON Okay.

BANKS Okay. Can you confirm that you are the principal beneficiary of this trust entitled to all of the trust income during your lifetime as stated on the trust deed?

VENABLES Well I can't because it's more complex than that you have to take into account the, the terms of the deed poll.

BANKS Okay and so this is still we're talking about in relation to the tax year 17/18 as earlier, so, as you are the principal beneficiary, does this not mean you that you received £543,676 for that tax year?

VENABLES Again it's the same confusion between accounting periods and tax years. It is so, so important, I'm sorry, to, to get these right. You haven't referred to the deed of appointment in the trust, St Augustus's Trust, and that is absolutely crucial isn't it, where is that, didn't we look at it earlier? Because the deed of appointment alters the beneficial entitlements as shown in the original trust deed.

Mr Venables referred to the St Augustus's Trust Deed of Appointment (9.5).

BANKS Did you want me to repeat any questions or?

VENABLES Well you see I think your, let's see why your question was misconceived.

BANKS Okay.

VENABLES So if you repeat the question again cos I ...

BANKS Okay so.

VENABLES ... rather forgotten what it was.

BANKS So does this not mean that you've received 543,000 ...

VENABLES ... Oh no, no there was more than that to it surely.

DUFTON So ...

SOLICITOR ... You said as you are the principal beneficiary, I think it started that way did it not?

DUFTON No oh it started there there's a question there 2 separate questions so did you want James to read the first question ...

BANKS Yes.

DUFTON ... which you did answer but we can read again.

BANKS Okay.

DUFTON And then move on to the question about who received the 543,000?

BANKS I can repeat both just as simple yeah. Okay so, it was 'can you confirm that you are principal beneficiary of this trust entitled to all of the trust income during your lifetime as stated on the trust deed?' That was the first question. Then second question was 'does this not mean that you received 543,676 as you are the principal beneficiary for the tax year 17/18?'

VENABLES And the answer is that's a no, well a non sequitor, it doesn't follow at all, because what you have to do is, you have to look at the deed of settlement, you have to look at the trusts as modified by the deed of appointment of the 2nd of July 2013, and you will see that that paints a very different picture from what you have presupposed in your question, which is why I can't answer your question really.

BANKS Okay.

VENABLES Cos I don't accept the basis of it.

BANKS And just for the tape that's in relation to [9.5]?

VENABLES That's the deed of appointment yes ...

BANKS Yes.

VENABLES ... thank you.

BANKS So this money wasn't entered on your personal tax return for year ending 2018, was it? I mean if you ...

VENABLES ... No why should it have been?

Mr Banks referred Mr Venables to his tax calculation for 2017/18.

VENABLES When you say that there's no, well I agree that there's no figure of 500,000 odd entered on my tax return, so my question to you is why should it have been?

DUFTON HMRC believe that that £543,676 is assessable against you as the beneficiary of the trust.

VENABLES Why?

DUFTON Because we believe you had that money, is that not correct?

VENABLES I'm sorry that's a complete misconception of the, that's a complete misconception of the tax law. And look forgive me, but today is not the time to try to explain to you, one needs to know somebody who is really quite expert on how partnerships, or

rather partners and partnerships are taxed. And also, how trusts are taxed and how the beneficiaries of those trusts are taxed. And you need to know all those rules and see how they fit into each other and I, I think you're under a complete misconception.

DUFTON Well I will say to you Mr Venables that I think would be very hard pressed to find someone in Revenue & Customs with your level of expertise.

VENABLES No but there are other people I mean yeah ...

DUFTON ... And we have you as a only.

VENABLES Yeah ...

DUFTON ... Certain people can interview under caution, only certain staff can interview under caution, Revenue & Customs staff, very specialised staff are the only ones that can do these interviews. So if we've misunderstood what's happened, and you do want to tell us today then please do. If you want to put it in writing then please do, but this is why you're being interviewed by.

VENABLES Right ...

DUFTON ... James and myself not by some top tax barrister.

VENABLES Well ...

DUFTON ... Cos they don't have the authority to do it.

VENABLES Thank you for that, that's helpful in a way, and this is not meant to be a criticism of either of you personally ...

DUFTON No.

VENABLES ... but you see, this is where not having, this is a key point you'd think.

DUFTON Mr Venables we don't have to play, there's no way we can compete with you on your expertise in relation to tax law, you are a top tax barrister and we are not. However if you don't believe, we, we think that you should have paid tax on this money and you, if there's a reason why we shouldn't think that, and you can tell us today, then please do. Cos these are what these questions are all, you know we have to go through them but this is the basic point we think you should have paid tax on this money, in other years you should have paid tax on the money, and if that's not the case because of our interpretation of tax law and there's a simple way that you can tell us, then that's what the you know the reason of ...

SOLICITOR ... Cos all Mr Venables has said is you should get advice from a, a tax specialist on this.

DUFTON Yes but we ...

SOLICITOR And that.

DUFTON ... but we have.

SOLICITOR Fine.

DUFTON Which is why we're here today ...

VENABLES And when, when you say a tax.

DUFTON ... and what I'm saying to you is a tax specialist cannot interview Mr Venables under caution.

SOLICITOR But of course but then ...

VENABLES ... When you say a tax, what sort of person then a, a tax QC you, you can't tell us?

DUFTON Mr Venables I can't, I can't discuss, I can't discuss that ...

VENABLES ... But, but what you, look, look there is no way in which I can explain this now verbally.

DUFTON Okay.

VENABLES I mean do you know if I start going on about the leading House of Lords authorities like Williams v Singer and the Archer-Shee cases it's gonna mean nothing at all to you.

DUFTON No.

VENABLES And I suspect its gonna mean nothing at all to the person from whom you've been taking tax advice if that's the advice they've given you. So it is, it is really it is quite impossible to explain complex things verbally off the cuff without being able to cite chapter and verse and key judicial authorities, I'm talking about House of Lords cases almost a 100 years, yes a 100 years old, which laid down the principles upon which trusts are taxed and they're very important these cases, they're still, they're still the case today. Now my point was a slightly different one, if you told me in advance, which you didn't, that this was the view of HMRC that I should in my if I understand this correctly in my 2017/18 tax return.

DUFTON Yes.

VENABLES Have declared as part of my taxable income the actual share of partnership profits of the St Augustus Trust for the accounting period ended 9th of April 2017.

DUFTON Yes.

VENABLES If you told me that that was HMRC's understanding and given me sufficient time I could have come prepared. I said this is the sort of thing that cannot be done verbally it needs, needs putting down in writing so that's why I can't deal with this today.

DUFTON Okay.

VENABLES It's not, it's not ill will on my part it's just you know these things are not simple, tax law is not simple.

There followed a lengthy discussion and complaint by Mr Venables and his solicitor as to whether HMRC ought to have set out their position in writing ahead of the interview.

BANKS Okay you have told HMRC during the Code of Practice 9 enquiry that you declare what you are beneficially entitled to but here you're beneficially entitled to £543,676 but you haven't declared it on your self-assessment tax return and you haven't paid the appropriate amount of tax at your marginal rate of 45% instead of the 20% paid by the trustees within the creation of the tax evasion model known as the RVQC Partnership. Is that not correct Mr Venables?

VENABLES That is totally incorrect and I part company from you at very early stage I ...

BANKS ... Would you like me to repeat the question?

VENABLES No I can remember it it's the very early stay well first of all complete denial that anything's been under reported, but I will ask you and you probably won't be able to tell me now where in the, you can tell me later, where in the correspondence on the civil matter I said what was it again, the word beneficial or beneficially?

BANKS You well I've got in the question here you have told HMRC during the Code of Practice 9 enquiry that you declare what you are beneficially entitled to.

VENABLES That's absolutely, that I cannot imagine I would ever have said that because I am far too knowledgeable; what I have declared is what I am liable to be taxed on, and because of the ridiculous system under which inter alia partnerships and their part or rather their partners are taxed, you are not taxed on your actual income you are taxed on a fictitious income. And I must know that this is absolutely fundamental, I would never have said that I had declared everything to which I was beneficially entitled because to what I am beneficially entitled is irrelevant. What matters is what is deemed to be my taxable income under the statutory fictions and that is a really important distinction and I suspect it has simply not been understood by whoever is giving you the tax advice okay.

BANKS Okay that's noted.

DUFTON Thank you.

Mr Venables was asked about the allocation of partnership profits to bare trusts for the children in the partnership tax return for 2017/18.

BANKS Can you tell me what these minor children do for the RVQC Partnership?

VENABLES Nobody suggests they do anything they are beneficiaries of trusts, of bare trusts.

BANKS Okay and the next question is how do you act in, how do you act in a business in common with them?

VENABLES This has all been explained, this, this is no doubt, I think what you mean is, if I can rephrase your question, if I'd been putting the question, I think this is what you mean is: in order for there to be a partnership there must be persons carrying on business in common with a view to profit. That's within, amongst other things, the terms of the Partnership Act, which simply codifies the existing position. This has all been fully ventilated already in the civil proceedings, in the civil correspondence, and I see no point in enlarging on this today. I, that has been entirely answered, and I believe what I put there, I believed it at the time to be correct, I still believe it to be correct.

BANKS Okay.

VENABLES Full stop.

BANKS It is HMRC's suggestion to you that you have made, you have allocated profits to these partners to reduce the tax payable by you on the alleged partnership profits. Is that correct?

VENABLES I don't that was quite grammatical but I think what you're saying is you, you better put it again I, I think ...

BANKS Okay.

VENABLES ... I know the gist of that but it's, it's fairly important to get this right.

BANKS H.

VENABLES And I think the answer's almost certainly going to be no but let's get the question.

BANKS Okay so HMRC suggest to you that you have made allocated profits, you have allocated profits to these partners to, to reduce the tax payable by you on the alleged partnership profits. Is that correct?

VENABLES Profits have been allocated not just by me but by all the partners under partnership deeds to these minors as they were I think mostly 1 of them since 1 or 2 have since become of full age. And I can say candidly as far as I was concerned it is because I wanted them to have that money.

BANKS Okay. Is it correct that Laura Cook, Miss Laura Cook cleans for you at Studley Priory?

VENABLES I'll pass on that and I'll see where this is going.

BANKS Okay. Is it not true that Dean Wise was your personal gardener in the tax year 17/18 ...

VENABLES I'll pass on that oh sorry was there more to it?

BANKS ... yes there's more and provided you with time sheets showing you all the hours that he worked. Is this correct?

VENABLES I'll pass on that thank you.

BANKS Okay is Amanda West is your bookkeeper. Is that correct?

VENABLES She, okay let's, let's just see where this is going, yeah.

BANKS Okay have you used the RVQC Partnership structure to pay your employees thus reducing and benefiting from their personal allowance to reduce the tax you pay in the RVQC Partnership profits?

VENABLES Unequivocally no.

BANKS Okay.

VENABLES I.

BANKS Do these people know the national insurance implications of being paid via trust income?

VENABLES Good heavens how can I answer that. I'm, I'm ...

SOLICITOR ... You can't answer about the knowledge of other people.

VENABLES How, how can I answer what what's in somebody else's mind, I don't know. Sorry I mean I'm I, I, I, I I'm just not gonna deal with that one.

DUFTON Just move forward.

BANKS Okay, do you know the national insurance implications for them if they are paid via trust income?

VENABLES Well I think that's begging questions if they are paid, as opposed to if they're in receipt of trust income, and so I, I again I there's so much loading in that question I'm going to pass on it.

BANKS Okay. Are you the trustee of the bare trusts?

VENABLES Phil?

SOLICITOR My advice remains the same Robert.

VENABLES Okay well you can read the terms of the partnership deeds as well as I can so I'll pass on that.

...

BANKS Okay you are the settlor and beneficiary of trusts such as the St August's, Augustus' Trust that was allocated 542,000, £542,676 in partnership profits in the tax year 17/18. It should have been declared on your personal self assessment return. Is that not right Mr Venables?

VENABLES It's entirely misconceived. As I have explained earlier you, it's this, I don't know what, I don't know how put it in simpler language you are there this is fundamental confusion between the profits of an accounting period and the deemed profits of a partner in this case a trust partner for a tax year. Now the large sum you mentioned more than half a million related to the accounting period ended if I remember rightly ...

DUFTON The 9th of the 4th

VENABLES 2017.

DUFTON Yes.

VENABLES So you see you're now you're you give me your question again I'm, I'm please?

BANKS Okay so you are the settlor and beneficiary of trusts such as the St Augustus' Trust that was allocated £542,676 of partnership profits in the tax year 17/18.

VENABLES Now, now that's where it goes wrong you see it wasn't in the tax year 7, the actual partnership profits were the accounting period ended the 9th of April 2017 and we know because you took me to that, to the proviso that it did not include 6th, 7th, 8th or 9th of April 2017. And therefore none of that 500,000 plus was actual income of the tax year 17/18. That's very important and just to remind you you have yourself seen that I was not a beneficiary of the trust at any time in the year 2017/18. Do you remember that? That came from the deed of appointment which we looked at not so long ago. So again another question which is based on misunderstandings.

BANKS Okay so you're also the principal beneficiary of all of the other residuary partner trusts during the accounting periods commencing 09/04/2014 to 09/04/2020 in which they were allocated shares of profits from the RVQC Partnership. Is this correct?

VENABLES Well I think that would be misunderstood. The term 'the Principal Beneficiary' as I recollect it, and I have only looked at the St Augustine's Trust today St sorry St Augustus Trust, is a defined term and I think we looked at the trust deed and that meant myself. Okay? It did not mean, you would need to look at other deeds in the case of each of the trusts including deeds of appointment, it did not mean that I was the person entitled to the income of each trust during its life. So I think if I was simply to give a yes or no answer that it would be really very misleading.

BANKS Okay. Do you agree that as beneficiary of a trust that is your responsibility declare that income on your self-assessment return and pay the appropriate tax due on it?

VENABLES Well you say that income now you see again this is which income? It is my, if I'm a beneficiary of a trust it is my clearly my obligation, my legal obligation, to make a return on my tax returns in respect of that trust of any taxable income of that trust. And this is where again I think you see it's this big confusion you're, I've said this so many times but it clearly needs to be said again partnerships and partners are taxed on a completely artificial basis. The taxable profits of a year are not the actual profits of that year and this of course leads to huge

anomalies. Now anybody who doesn't grasp that might think ooh Mr Venables has had a £100,000 from this trust but it doesn't appear on his tax return. But the answer might be yes but that may be because under the statutory fiction he's only deemed to be entitled to £100. You see you cannot, you cannot undertake this enquiry without having proper advice as to how these rules, the partnership rules based on the, the basis period the statutory fictions work. And in particular how they work when it comes, when, when the partners are trusts, and in particular when those trusts have different income beneficiaries for different periods. I don't blame you for not, not knowing this I mean good heavens very few people do, but you ought really to take advice from somebody who not only claims to know but who does actually know this. So that's why I'm sorry this is again just can't, just can't answer that question.

BANKS Okay. Can you please tell me why if you contend there is a partnership arrangement in place you'd not include the income to which you were entitled to from the residuary partner, residuary trust partners on your self-assessment tax returns?

VENABLES Well I think I've already explained that. I have, I have included all my taxable income on my tax returns, but this is again I think based on the misconception that what my taxable income is, is the same as my beneficial share of the trust income, and that is simply not the case that's not the way the. These rules are absurd you might think, but they're not my rules, they're enacted by Parliament at the behest of the Revenue.

BANKS Are you familiar with section 625 of the Income Tax (Trading & Other Income) Act 2005?

VENABLES Is this by any chance contained in the income tax settlement provisions?

BANKS I'm not sure.

VENABLES No; well have you seen the tax laws they change every year and there are books stack on my shelf about 2 foot wide. I you said if you'd said to me in advance you wanted to look at section 625 oh where is it?

BANKS Yeah sorry yeah it is in the (*inaudible*) ...

VENABLES That would be helpful.

BANKS ... yes.

VENABLES Sorry that, that sorry we've got it somewhere haven't we?

BANKS Yes ...

DUFTON We have.

BANKS ... it should be one after that one maybe one more yes there.

VENABLES So this is item 190.

BANKS Yeah section 625 of the Income Tax (Trading & Other Income) Act 2005.

VENABLES Ah right now this might be, this might be helpful in actually this might be very positive in helping me to dispel some misunderstandings.

BANKS Okay.

VENABLES And we're not told.

BANKS Just that page there.

VENABLES What, what you've got to remember is the law changes from time to time. Let us assume that it gets amended as you know so and I think actually. Okay so this looks yes 'settlor's retained interest' if you've just got the context we're dealing with is it Part 6 Chapter 6 I can't quite remember, it's what, what I commonly refer to as, as the ITTOIA settlement provisions, ITTOIA as in as, as the Act ...

DUFTON Yeah (INAUDIBLE).

VENABLES ... as opposed to the Income Tax Act 2007 settlement provisions. Now, and 'settlement' in this context has a completely different meaning by the way, well a substantially different meaning than the word 'trust'. So often the 2 are interchangeable but it's been well established by House of Lords authority going back many years and confirmed about 10 years ago, it was either Jones v Garnett or Garnett v Jones. Not all trusts are settlements within the meaning of this legislation and not all settlements within the meaning of this legislation are trusts. However, there can be trusts which are settlements. So that's the first thing I need to warn you about, 'settlement' does not bear its what you might call its chancery meaning. Now let us shall we assume just for present purposes that the trusts which were partners like the St Augustus Trust were settlements within the meaning of these provisions, and the way they operate is that in certain circumstances income arising under the settlement, e.g. to the trustees, is deemed for income tax purposes to be that of the settlor, even though it's not his income in reality. It's again statutory fictions, we find them all over the place in tax law which makes it, you see there is such a, there is such a gap between reality and the tax rules, and you must always bear this in mind. Now, perhaps the most common situation where that happens is where a, is where a settlor has retained an interest. I think it may not and this section 625 'under the settlement', section 625 is a definition when that happens. So that brings us then to I, I think it's very important cos we don't all forgive me for being immodest but I perhaps I understand how these things

work a little bit better than anyone else in this room.

DUFTON Yeah I think it's very important at this stage if you wish to.

VENABLES Yeah so thank you very much so we've got section 625 now you obviously got a point to make on this.

BANKS Yeah that's what I was gonna say ...

VENABLES Yeah.

BANKS ... so you can read that if a settlor retains an interest in a settlement of property or related property when that property is payable to the settlor, their spouse or civil partner whether where, where it is for the benefit of the settlor, their spouse or their civil partner, or it will or may become payable or applicable. These are settlor interested trusts. You remain a potential beneficiary in relation to these trusts so you

VENABLES So sorry now this is when again I think we're, you said you remain a potential beneficiary in, in relation to these trusts – which trusts?

BANKS The trusts in the RVQC Partnership structure.

VENABLES Well first of all remain suggest that I was, was a beneficiary in the first place. I think if you look at many of the trusts I was not a beneficiary and could not become a beneficiary. My recollection is again I cannot, cannot be sure of this now. Now that would have been true, let me have a look. Well okay I, I, I look this, this, Phil this is just impossible recollection of this, but, now it is can again can we take the St Augustus Trust.

DUFTON Of course.

VENABLES As ...

BANKS Yeah.

VENABLES ... a good illustration. I think it be very helpful to go back.

BANKS Yeah.

VENABLES To the deed of appointment, I have it here.

Mr Venables referred to St Augustus' Trust Deed of Appointment (9.5).

VENABLES Now, this is the exercise of a power of appointment in the sense of not an appointment of new trustees, but a power to change the beneficial interests. It is conferred on the Appointor, it's exercised by the Appointor with the consent of the trustee. Have you got that much? And if you go to half way down, 'now this deed witnesseth'. It says that RV as Appointor, well, RV appoints that the trust fund and the income thereof shall henceforth be held on the following trusts etc, and it is upon the trust set out in the settlement deed until in effect midnight April 5th to 6th 2017. So at that point, at the end if you like at the end

of the tax year 2016/17, the trusts originally set out in the settlement deed, under which I think I have a life interest, are terminated. And then subject to thereto, so in effect if you like from just before the start of the tax year 2017/18, upon the trust set out in the schedule, right? Then if you look at the schedule, what does it say? The trustee shall hold the trust fund upon trust to pay the income thereof arising, as it happens, during the tax year 2017/18 to Merton College, Oxford. Have you got that?

DUFTON
VENABLES

Yeah.

And at the end of the year there is a gift of capital: if I was alive at the end of the year it went to Merton College, if I wasn't alive it went to St Edmund Hall. Okay, or not? You you're looking doubtful?

DUFTON
VENABLES

Well I was just wondering if, did they get any money?

That's another matter; but the question is, we come back to that in a moment, I'm being asked about settlor-interested trusts...

DUFTON
BANKS

... Yes, yes, yeah.

VENABLES

Yeah.

And believe if we hop around a little. Now, the question is, if, on the basis that I was the settlor, it is quite clear that before the tax year 2017/18 started there were only 2 beneficiaries of that trust: Merton College and St Edmund Hall. I was not a beneficiary of that trust, I have no spouse or civil partner, there was no way in which I could benefit from either capital or income of that trust after, well from the beginning, at the latest, of the tax year 2017/18. And therefore, this is absolutely crucial, for the tax year 2017/18 this trust was not a settlor-interested trust. I know this is difficult stuff, and I know you know you're not trained lawyers you, you but and this is difficult stuff but that is the effect of that deed. And I think you'll find in every other case there is of the residuary what are called the residuary, whatever they are, the residual partners or whatever, that you've got something similar.

BANKS

Okay I'm just gonna finish that question there in relation to that point ...

VENABLES
BANKS

... Yeah okay so let me, let me find again okay.

Yeah so you remain a potential beneficiary in relation to these trusts, so you can any time instruct the trustees to appoint the trust fund for your own benefit or onto another trust for your benefit. Is, is this true, if it isn't true can you explain otherwise?

VENABLES
BANKS

Well I think I've already answered that.

VENABLES

Okay.

In that (a) it is not true at all; if you look at the terms of the

original trust, as we have done, if you look at the terms of the deed poll, which may or may which we've looked at, which may or may not have been incorporated in it, I had no power to direct trust capital or income be paid to me or at my direction or for my benefit. And I think the other part of it is the important thing is that as from the end of the tax year 2016/17 I was not a beneficiary of that trust at all. Because exhaustive trust for the benefit of 2 charities had been created which is why the settlor provisions didn't apply in that year.

BANKS

Okay and as a very experienced tax QC you'll know that where the trust partners in the RVQC Partnership structure are settlor-interested trusts that all the partnership profits should have been entered on your tax return as they should, as they should have as a sole trader barristerial business. Can you explain why you have not done so?

VENABLES

Well oddly enough as an experienced tax QC I don't know that at all. Of course I may have been getting it all wrong the 32 years I've been a tax QC, but my understanding of the law and of course this is very important because in a criminal investigation I could have been absolutely hopeless, I could have been totally, totally been misunderstanding the law, totally misadvising people for years. What of course counts is what I believed, because tax evasion etc is not a crime of negligence or incompetence or getting things wrong. So having said that, first of all I've side-tracked myself, the question is?

BANKS

Would you like me to repeat it or?

VENABLES

Yes and, and then it now that you've given the whole of it and I can stop you at an appropriate stage and comment on that perhaps.

BANKS

Okay so as an experienced tax QC you will know that where the trust partners in the RVQC Partnership structure has settlor-interested trusts all the partnership profits should have been entered on your tax ...

VENABLES

All the partnership?

BANKS

... profits.

VENABLES

Ah that's the bit I take issue with.

BANKS

Okay.

VENABLES

No I don't know that at all. What I, because of the stat, again we're coming back to the way the statutory fiction. Let us take and this is a really good, I think this is forgive me for this is where I can pick up really this is the other shoe as it were dropping from what we, what we, what I was dealing with just before lunch. And I think this is so vital, cos this has clearly been

misunderstood by the people advising you, that I spend a little bit of time explaining it.

DUFTON Yeah please do.

BANKS Feel free to, yes.

VENABLES It's, right, now, my recollection is that the, again we'll concentrate on the St Augustus Trust, right?

DUFTON Yeah.

VENABLES That in the accounting period ending 9th of April 2016 it had a share of partnership profits of £100. Okay? I mean you, you can check this later, it will be shown you will need what we will need to find is the partnership tax return for 2016/17, and that should be recorded there.

DUFTON Yeah.

VENABLES The St Augustus Trust should be shown as having £100. Now, what one has to ask oneself is what is the taxable income from the partnership of the St Augustus Trust in 2016/17, and the basis period is again the same as that of the partnership. So it is the £100 actual profits for 2015 up to 9th of April 2016. So the taxable income of the St Augustus Trust for 2016/17 was £100. Okay?

DUFTON Uhm.

VENABLES I accepted in that year that it was a settlor-interested trust and I entered every penny of that £100 on my tax return, it would have been under the heading 'trust income'. Where the misconception I would guess arises is in thinking I should somehow have entered the actual income of the St Augustine's Augustus Trust for 16/17. No, because income tax law again, I harp on this time and time again but it's so fundamental, works on a statutory fiction; and as I explained before lunch, that 500,540 odd thousand although it was actual profits of 16/17, was used as the measure, it's no more than that, it was used as the measure of the taxable profits of the St Augustus Trust for 17/18. But of course by that year, as I explained a few minutes ago, I had no actual entitlement to any income of the trust and the trust was no longer settlor-interested. So there's absolutely no reason for me to enter anything on my personal tax return concerning the taxable income of the St Augustus Trust for 2017/18. I'm sorry if this seems complex but I can't make tax law, tax law simpler then it is, that's the way it all works out.

BANKS So a follow up question: is it because you decided that you did not want to pay your tax at your marginal rate of 45%, so in order to pay less than 20% tax on your partnership profits you created the RVQC Partnership structure?

VENABLES If I could just have that again?
BANKS Okay, so, is it because you have decided that you do not want to pay your tax at your marginal rate of 45%, so in order to pay less than 20% tax on your partnership profits you created the RVQC Partnership structure?
VENABLES Less than 20%. Sorry it's so much more complex I, I, I can't deal with that now.

Mr Venables was taken through the percentage of net partnership profits that was paid in tax each year, but indicated that he did not keep that sort of information in his head, and so could not confirm whether the figures he was being given were correct.

BANKS Okay you should have paid 45% on all the partnership profits but you have devised an arrangement structure had devised an arrangement so that you paid less than 20% on these profits. Can you please explain this?
VENABLES Well I don't agree sorry I, I think the question is totally misconceived.
BANKS Would you like me to repeat it or?
VENABLES No, no I've, I've understood it ...
BANKS Okay.
VENABLES ... it's simply misconceived. It's I.
SOLICITOR I think Mr Venables ...
VENABLES I.
SOLICITOR ... has made clear in his honest belief he has declared and paid the correct amount of tax on all the profits to which he's entitled.
BANKS Okay that's noted.
VENABLES Thank you Phil yes and I, I reassert that now and do you know I may have got it wrong I said I'm just this QC you know specialise in tax law and knows a little, little bit about taxation of trusts but I may have got it entirely wrong, but if so, you show me.

Mr Venables was asked about Breamgale Ltd; he confirmed that he and his brother Michael were the only shareholders in the company, but said that they were shareholders as nominees, without a beneficial interest in the shares.

When the questioning was about to move to a new topic – Citadel Ltd – the opportunity was taken for a break, and the tape was stopped at 3:58pm.

Interview: 4:10pm-5:09pm

Mr Venables was reminded of the caution. He confirmed that Michael Venables was the director of Citadel Ltd; he could not remember whether Breamgale Ltd was the sole shareholder, although he said it could well have been; however, he did not think that Breamgale Ltd was the beneficial owner of the shares.

Mr Venables was asked about Grosvenor Trustees Ltd; he confirmed that Michael Venables was a director of the company. He said that he himself was not the beneficial owner of Grosvenor Trustees Ltd; he explained that the shares were held on discretionary trust, with the result that there was no beneficial owner.

Mr Venables was referred to his email of 5.1.22 to Ms O’Dea (14.21), and was asked whether “NewCo” (in the bottom paragraph on the first page) referred to Citadel Ltd.

VENABLES I would, oh yes, but it must be, I mean. It paid corporation tax of £266,506, that’s what you do when you’re engaged in tax evasion – says he, ironically. And the charitable donation, that looks, that looks like Citadel, but again you’ve got to remember, if I don’t have all the documents

DUFTON *(inaudible whisper)*

VENABLES ... if I don’t have advance notice, I can’t be absolutely certain.

Mr Venables was asked to confirm if, as stated in the email, Citadel Ltd had only traded for one year; he said he believed so, but HMRC should ask his brother who may have been a director of Citadel Ltd at all material times. He was asked about the sentence “None of the the payments into the account represented receipts which were due to me or in respect of services rendered by me to the persons by or on behalf of who payments were made”, but did not know what account was being referred to without seeing the HMRC letter to which the email was responding.

Mr Venables was referred to the letter from RPC to HMRC (14.22), and was asked whether he had assisted his brother in composing it; he said that HMRC were threatening to make or had made an application for a production order, and that he had assisted because there would have been documents which he had actually been a party to, or certainly knew all about.

BANKS Okay. Did you receive payments from Citadel Limited and/or other or from other third parties, apart from the hundred pounds fees that you received through your Chambers?

VENABLES Well the first of those, did I receive payments from Citadel? The only payments I received from Citadel were for legal services provided to it. And those payments were received as receipts of the RVQC Partnership. Now, that bit is simple, but wait a moment, I also, after it had ceased trading, as I think must have

been explained to you by RPC, Citadel made donations and under, made donations to, could it have been the Mel Trusts? I think it would've been, because you asked me for information about them. Again, you've got to remember everything I'm saying today that's said purely on recollection, without any advance notice, could be mis-recollected. I'm you know, I'm not thick, but I I can't recollect everything.

DUFTON
VENABLES

Well it's very complicated as well.

It is, but there's, it's very kind of you to say so. So, so I think Citadel made donations to the Mel Trusts but there would've been agreements, which I'm sure you'll have been provided with a copy with, which showed that the actual payment would have been made from, I think, Breangale, which held Citadel's money in effect, and that payment would have gone directly to the RVQC Partnership. But, so in that sense, if you like, I, on behalf of the RVQC Partnership, would've received the payments from Citadel after it had ceased trading. But of course, the nature of those payments is shown by the documentation which I'm sure RPC will have sent to you, and my rough recollection is that, this is only a rough recollection, is that Citadel was making donations to the ten Mel Trusts, they were lending money to the Grosvenor 2017 Trust, the Grosvenor 2017 Trust was then contributing that as capital to the RVQC Partnership. And I think there is one document with all these various parties, which all these various parties are, which says well this is what is happening, but in fact there's only gonna be one payment, one transfer as it were. That is why reasonably substantial sums, I I don't, forget how much, maybe hundreds of thousands were paid from the Breangale Account to the RVQC Partnership Account.

BANKS
VENABLES
BANKS
VENABLES
BANKS

Okay.

Sorry, that's, short ...

(inaudible).

...question, but you you need a full answer sometimes.

The product and solution you provided to Citadel Limited proved valuable and earned Citadel one point five million in the year to the 31st of March 2019. Why would you give those rights away or the product and solution for so very little?

VENABLES

Why would I? Have you come across, I think... There are many many reasons. Have you come across the person, let's say, let's take somebody very different from me, say Elton John. Elton John enabled, can earn a lot of money through selling his services. I would be amazed if there wasn't a company called Elton John Limited and Elton John provided his services to Elton

John Limited for a modest amount and enabled profits to accrue to Elton John Limited. This is a totally common phenomenon. It's sometimes called, perhaps inaccurately, the incorporation of the business. Now, so I might have been very happy for proceeds, sorry for, not to make money myself, but for money to go into a company. A company which was owned by trusts. Now there would've been several factors involved. I can't enumerate them all, but one thing you have to bear in mind, is that I am now quite elderly, so I'm seventy-five this year, in 2018 I would have been well, seventy, seventy-one. And, I don't know if you've, have you any exposure to Inheritance Tax?

DUFTON

No.

VENABLES

No, well.

DUFTON

(laugh).

VENABLES

Inheritance Tax is charged on property you give away. Whether it's during your life or on your death, you see. But, if you can make sure that you never become entitled to property in the first place, but it vests in somebody else as it arises. This is very simple planning, goes back to a marvellous book I read in 1983, called Tax Planning Through Trusts. I forget who wrote it but I...

DUFTON

(laugh).

VENABLES

... *(laugh)*, I ...

DUFTON

Mr Venables is that you?

VENABLES

(laugh). Yes, alright. Got to indulge us. I mean it's awfully vanilla stuff and so one, one of the many advantages of this, is that property could accrue within these trusts which could be used for the benefit of others, without ever having formed part of my estate and therefore having to be given away. Simply foregoing profits you might have made, doesn't create a charge to Inheritance Tax. Actually, if if, you know, this is actually relatively, as a relatively vanilla planning.

BANKS

Who calculated the licence fees to be paid to Citadel by the third parties?

VENABLES

Well that would've been a matter for negotiation between Michael Venables as the Director of Citadel and the third parties, and I dare say, didn't you ask for access to e-mails concerning, so you will've, I'd be, I don't know, because I I didn't, I wasn't you know doing all the argy-bargy, but I mean, I would imagine there would've been some negotiation.

BANKS

Okay.

VENABLES

Not everybody would've said yes, we'll pay exactly what you asked, so, like all things it's a matter of negotiation.

BANKS Does, do you know if Michael has any experience of this type, licensing these sort of transactions of?

VENABLES I don't, well you mean before Citadel?

BANKS Yes.

VENABLES I don't.

BANKS Citadel had no other employees, if it wasn't Michael, and there was no one else employed by the company, did you do all the work around the licensing product, or any of the work around the licensing product?

VENABLES I'm sorry, I'm (*inaudible*).

BANKS Sorry, around the licensing of the product?

VENABLES Oh hold, well, (Sigh), again it's very ambiguous. Citadel was my client. My client as a Barrister and in effect therefore. So, when I, this could be for anybody, when I make a draft, when a draft a document, or write an opinion, for many years now I have strict rules as to who can use that draft, and as to the persons to whom the opinion can be communicated. And you, if you think about it there are two really basic reasons for that. One is copyright say in a draft is vested in me as the creator. I don't want all the world to be able to use it in such a way that I get no right to it. If they want, if somebody else wants something, they have to come me and get a draft of it and pay for it. So that's that's one of the reasons. Now the other reason was, oh, the other reason is insurance. Again, for many years, that is professional liability insurance. I think it's my duty to help the Bar Mutual Indemnity Fund ...

DUFTON (*laugh*).

VENABLES ... reduce its claims and I have for many years now had caveats, my opinions start off with opening clauses and they say, this opinion is addressed to so and so, it can be relied upon, in effect my late client, it can be relied upon by that person and by nobody else. If anybody else happens to come to see the contents of this opinion, they must realise I undertake no duty of care to them whatsoever. So, you've got already as part of the, the terms upon which I act for a client, quite strict rules as to what they can and can't do with what I've produced for them. Now, I think I've side-tracked myself on not in quite answer to your original question, if you don't (*inaudible*) reminder.

BANKS So, if it wasn't Michael and there was no one employed by that company, did you do all the work around the licensing of the product?

VENABLES Well, it depends you see what you mean by the licensing. In so far, as what you might call the head licence, I would've given a

head licence to Citadel, thus Citadel wasn't going to pay me for a licence which it couldn't exploit, so it had, and I believe you, you, didn't you ask about this recently and ...

BANKS

Uhum.

VENABLES

... weren't you referred to ...

BANKS

Uhum.

VENABLES

... schedules to some of these agreements? It was allowed, it was within permitted, permitted, permitted areas, it was allowed, it was authorised to sub-license. But again subject to the caveat that I owed no duty of care to the sub-licensee, because again to protect the insurance position. So obviously, I was obviously involved in the licensing from me to Citadel.

BANKS

But not from Citadel elsewhere?

VENABLES

Well, this is where it starts getting slightly tricky. If you ask, there would've been two things here. As a, there's the commercial side and there's the legal side. Now what will often happen is that businessmen will reach an agreement in principle, subject to contract, if you like, you know, you want to sell that office block, we'll offer you ten million for it or whatever it is. But, and they'll have things called "heads of terms", which will set out basically, what they want to be the case. But this will all be subject to contract. They basic, they basically agree what you might call the basic commercial structure, but then in anything of any complex, each of them will go off and instruct lawyers, usually solicitors, and then the, the two sets of solicitors will say well we've we've got to put this in legal format and we've got to make sure that both sides are properly protected and there might be all sorts of things that you businessmen, very good businessmen as you are, haven't forgotten about, you know haven't thought about, legal traps, actually tax warranties is often one of the biggest things of all. And so, you had to draw a distinction here now, this is where I start getting into difficulties, because I can tell you that Michael would've of course, have negotiated the commercial deal. He would've then needed a lawyer to help advise him on how to give effect to that legal, by approp, doing a draft document, and if he had then instructed me on behalf of Citadel, to draft a sub-licence agreement, I'm not sure whether I'd be able to even to mention that fact to you, so I I hope you'll forgive me if I just keep quiet on that bit.

DUFTON

Yes.

VENABLES

Yeah.

BANKS

Is it the case that you calculated the various income streams between yourself and Citadel Limited so that any, only a very

small part went through your Chambers and the much larger balance went through Citadel Limited?

VENABLES I'm sorry, I don't understand the question. When you say went through Citadel Limited?

BANKS So, (*inaudible*) Citadel received the money rather than the money going from the person you did the work for straight into your Chambers.

VENABLES No, I'm sorry there are so many misconceptions here. The person, the only person I worked for was Citadel. Citadel having instructed me, had then intellectual property which you could sub-license.

BANKS Sorry, did you say, sorry, Citadel instructed you?

VENABLES Oh yes. Yes, Citadel was my client. There's, instructing is a technical term, it's when a client comes along, it instructed me to do work for it, to produce drafts. I think this is, you'll have almost certainly been told that over the letter from RPC, I mean it's.

(*Background talking*)

VENABLES Citadel then, hopefully, and in fact it did better than I would've expected, but there we are, we'd had a very very good run. Then sub-licenses, what it has, the intellectual properties received from me. But when it does so it makes profits, but those profits belong one hundred percent beneficially to Citadel. Right? There's no ... (*background talking/noise*)

VENABLES ... my, all I get is what Citadel pays me for the work ...

BANKS A hundred pounds.

VENABLES ... a relatively modest amount. It might be a hundred pounds per item or whatever, yeah. So all the rest belongs beneficially to Citadel. As I understand it, I think we saw a reference here, I think Citadel did give away a hundred thousand pounds to charity, but subject to that, it paid the full whack of corporation tax on all the rest of the profits. And that one hundred thousand of course is deductible in computing its corporation tax liability. So, that money was all Citadel's, belonged beneficially to Citadel and to no one else, and particularly not to me.

BANKS Okay. What agreement did you make with Citadel Limited regarding your remuneration for creating these Solutions, and licensing them to Citadel, so that Citadel Limited could earn profits from them?

SOLICITOR I think that's called an LPP (*inaudible*).

VENABLES That must be privileged. I'm sorry well you can ask, but, I I'm ...

SOLICITOR (*inaudible*) not the sort of question you could ask. You can't ask about his arrangements with his clients.

BANKS Sorry?

SOLICITOR It's covered by the Legal Professional Privilege.

VENABLES Absolutely, it ...

SOLICITOR It's not a question you can ask.

VENABLES ... I I couldn't possibly reply to that because it's ...

DUFTON (*inaudible*).

VENABLES ... thank you. Thank you.

DUFTON It's the (*inaudible*) one.

BANKS That one there.

DUFTON Right. It relates to, I I think it's just asking, it's obviously we're not, we don't want to ask about your legal professional privilege, it it's sort of asking about money. So, it's obviously not asking about any legal arrangement that you have with Citadel, it's just basically asking if the hundred pounds was all you got from Citadel or was there anything else? That's what we're interested in. We're not on, interested, we are interested purely ...

BANKS Yeah.

DUFTON ... in tax in Revenue and Customs.

...

DUFTON So, all all the question is asking is, did you only get a hundred pounds from Citadel or did you get any other income from Citadel?

VENABLES Oh, I received no other income from Citadel.

DUFTON No other income.

VENABLES You have been told, and we went into this a little bit earlier, payments were made into my, I think they would've been made into my HSBC Chambers 4 Account, but I've explained why those payments were made and on what account they were made. They were not, they were not made to me as my income.

DUFTON Okay.

BANKS Okay.

DUFTON Yes. No problem.

BANKS Did you do this work for a very small fee knowing that with an arrangement that you devised, a net profit will end up with you anyway and without any income tax or without any income tax being charged on it?

VENABLES Well, it hasn't done, so how can I know something that wasn't the case?

DUFTON Thank you.

VENABLES I mean, I it's a short, is the short answer.

Mr Banks then referred Mr Venables to a sub-licensing agreement between Citadel Ltd and one of its clients, and Mr Venables asked for a pause so that he could discuss

with Mr Salvesen whether he was in a position to respond. The tape was stopped at 5:09pm.

There was further discussion about the terms of the sub-licensing agreement between 5:18pm and 5:27pm, followed by another break ; the interview resumed at 5:31pm.

Interview: 5:31pm-6:16pm

Mr Venables was reminded of the caution.

Mr Banks referred to Citadel Ltd's balance sheet as at 31.3.20 (12.18, p2), which showed the company's net assets as at 31.3.19 as £1,113,156, and as at 31.3.20 as £1. He asked Mr Venables if he agreed that all the money had been extracted from Citadel Ltd.

VENABLES Right. If it's not traded it can't have got any more money in, can it, so that let's take it on trust that's the case. Yes.

BANKS Okay so just to reconfirm both you and Michael, Mr Michael Venables are the joint shareholders for Breangale Limited is that true?

VENABLES I don't actually recollect what the position was.

BANKS Okay.

VENABLES I would be slightly surprised well sorry so do you mean shareholders in Citadel?

DUFTON No.

BANKS Er for Breangale Limited?

DUFTON Breangale.

VENABLES Oh yes we've been through that earlier haven't we.

BANKS Okay yeah.

VENABLES As nominees remember.

BANKS Just confirm.

VENABLES Yeah.

...

BANKS Okay. I suggest to you Mr Venables that in order for you not to pay any tax from these profits that had been extracted you've created an elaborate arrangement where all the profits are moved through a number of entities controlled by you and the net profit ends up with you and you can do with this as you see fit. Do you agree?

VENABLES Of course I don't, and you've been provided with you've been provided with documentation by Citadel ...

BANKS Okay.
VENABLES ... I've referred to it earlier today.

Mr Banks asked a question about the Articles of Association for Citadel Ltd, and Mr Salvesen asked to see the Articles themselves. In the meantime Mr Banks asked Mr Venables whether he was a shareholder of Citadel Ltd; Mr Venables said that his recollection was that in the year in which it was trading and all the time subsequently the only shareholder had been Breangale Ltd. He was then shown the resolution altering the Articles of Association of Citadel Ltd (12.1).

VENABLES ... Oh right so these are the substituted Articles of the, of Citadel no doubt shortly after it was, yeah and here we in fact we have the answer to your question. I had originally been the subscriber...

DUFTON Right.

VENABLES ... that's the person who tells, gets Companies House to incorporate the company, and it appears that on the 13th of February 2018 I transferred my £1 subscriber share, which was the only one surprisingly I think that's ever been issued, to Breangale and so I hadn't been a shareholder in Citadel really at any time when it was trading or at any subsequent time. That's just picking that up.

Mr Venables turned to Article 31, on page 16.

VENABLES Well it's very important because this Article I believe was, came into operation it is 'independent object'. That is quite important in itself. It's not ancillary to some other object. Independent object to pay etc assets of the company. So 31(1) 'without derogating from the object of the company to carry on business as a general commercial company' that's the main object. Without derogating from that, 'it shall also be an independent object to the company to pay, apply, or appropriate the assets of the company, or any part or parts thereof, whether gratuitously or otherwise, to or for the benefit of such charity or charities or such person or persons (including the trustee or trustees of a trust) and in such manner as the company shall think fit in the manner and subject to the conditions (if any) specified in this Article'. So that may sound a bit long winded to you. Phil am I allowed to put a gloss on that perhaps? It, it's basically a power to give away assets of the company.

DUFTON And that can only be exercised by Michael, is that correct?

VENABLES Well, I think he let's, let's read sub-section er 31(2). I think the answer to that is yes, but it's a little bit more complicated, slightly more complicated. So, 'subject to any overriding considerations of company law', and there are restrictions and I don't think they would have been in point here, 'the directors', but there's only one director and that was Michael at all material times, 'may, with the prior consent of all the shareholders'

DUFTON Which was Breamgale?

VENABLES Breamgale yeah. 'Or such person as may be from time to time be nominated by them' I'm not sure that's particularly. So what the director, the directors may do is 'pay, apply, or appropriate the assets of the company' etc 'to or for the benefit of' basically these people mentioned 'in such a manner as the directors think fit' and this is, it may sound a bit gobbledygook but this is traditional language, such as will be found in Lincoln's Inn.

DUFTON Who, who would represent Breamgale?

VENABLES That would be its director.

DUFTON And who is its director?

VENABLES Michael.

DUFTON Michael, so Michael would ask himself if he could but not not that he.

VENABLES I know what you mean, but wearing a different hat.

DUFTON Yes exactly.

VENABLES So that's why it's rather a pity that you don't have here the document authorising the resolutions, authorising the gifts, because I think it would have been made very clear from that. Look, I think I'd I'd recollect, I'm not entirely sure, I was a party to it on behalf of the RVQC Partnership, but there would have been, again this is pure recollection and it is really if you're concerned about the distribution, about how the assets of Citadel come to go down from over a million to one pound, I'm afraid this is the one crucial document ...

DUFTON (*laughs*).

VENABLES ... because it really tells you everything, and without that document you're just, round in the dark.

DUFTON Sorry what document is that?

VENABLES Well.

DUFTON Sorry.

VENABLES Again, as it's not there I can't quite remember the name, but it would have been what it would have been called I can, I can tell you, I've mentioned it earlier again this is purely from recollection. I can't do any better ...

DUFTON No that's fine ...

VENABLES ... than this and there may be inaccuracies.

DUFTON ... thank you for your help.

VENABLES The parties would have had to be, probably Citadel itself, Michael as director of Citadel, Breangale as shareholder of Citadel.

DUFTON Which would be Michael again.

VENABLES Acting, acting through Michael yeah that's right. Then, I recollect the gifts were to be made. Ten gifts were to be made, to ten trusts called the Mel Trusts. Mel Trust numbers one to ten. That's your recollection too?

BANKS Yeah that's what I think.

DUFTON I think that might be coming back.

BANKS My next questions are about the Mel Trusts.

VENABLES Oh right fair enough yeah. But you see it, it's this is really can I commend you, you look at this document very carefully, I believe it's relatively short. It may be no more than a it's very succinct it may be only a page or two, but it sets out in fantastic detail what is happening and it tells you infinitely more than mere where did the money go from, from which account to which account, it tells you why it went. So you've then got Breangale in its capacity as trustee I think, oh no you haven't no, no, no. No. You might have had Grosvenor Trustees involved but again I'm sorry about this it's. Then you've got Breangale in its capacity as the trustee of the Grosvenor 2017 Trust.

DUFTON Okay.

VENABLES And finally I recollect you've got myself on behalf of the, or the RVQC Partnership as it were represented by me.

DUFTON The RVQC Partnership. Thank you.

VENABLES And this is so important to try and make it as simple as possible if you think of a a kind of flow, a flowchart.

DUFTON Yes thank you.

VENABLES If you could, if we had a blackboard here it'd be easier. So Citadel gifts to ten Mel Trusts.

DUFTON Right.

VENABLES Virtually the whole of its assets, all but one pound I think.

DUFTON Right.

VENABLES Mel Trusts, and that's done by payment into the Celestial account, because I don't think the Mel Trusts had a bank account either. The Mel Trusts then by the same, it, again it may be the same agreement it may not, it may be a different agreement but RPC should have sent all, all of this. The Mel Trusts then lend the money to the Grosvenor 2017 Trust.

DUFTON Who controls the Mel Trusts?

VENABLES Now, I think, well do you want to know who controls the Mel Trusts now, or who controlled them at this?

DUFTON No, it would be for the time that that money was moved?

VENABLES Well I think, I, I sent to Kingsley Napley within the last week or two, the ten trusts creating the Mel Trusts, and I also sent a much later Deed which changed the trustee.

SOLICITOR Those have been sent to HMRC.

VENABLES There's been so you will have those. I, look, I think when I looked at them, because I wanted to make sure we had everything right, I think that the trustee of the Mel Trusts at this time was the settlor of the Mel Trusts.

DUFTON Who was that?

VENABLES That was Christopher Lewis Jones.

DUFTON Okay.

VENABLES But again you've got the documents you can check against that.

BANKS Yeah.

DUFTON I think his name is mentioned.

BANKS Yeah I've got a few questions, I had a few questions coming up about him.

DUFTON But if you'd like to explain the flowchart that would be helpful.

VENABLES So we've got the Mel Trusts lending money to the Grosvenor 2017 Trust.

DUFTON Yes.

VENABLES The Grosvenor 2017 Trust was already a partner of the RVQC Partnership you should again know that from the Deeds, and what it does is it contributes the amount lent by the Mel Trusts to the RVQC Partnership as capital.

DUFTON And what happens to the money then?

VENABLES It becomes part of the assets of the RVQC Partnership.

DUFTON And does it stay in the RV, RVQC Partnership or does it get spent?

VENABLES I can't recollect but I mean obviously the assets of the RVQC Partnership do get spent from time to time in in the normal course of business. I don't think, as far as I'm aware it would the money would have stayed there for the foreseeable future, and I don't think there was any onward payment to anyone else. Again, you see you're asking questions I'd need to see the ...

DUFTON Yeah.

VENABLES ... the accounts and bank statements etc, as far as I know that could stay with the RVQC Partnership, and I think a point I made to RPC and I hope they made it to you in their letter was this, that because the Grosvenor 2017 Trust now had a significant amount of capital it became entitled, maybe not

immediately but certainly in the next year, to a significant share of partnership profits, and again I don't have figures but I believe that in the accounting period ending April the 9th 2021 it had income, it had a profit share very approximately somewhere in the region of two hundred and fifty thousand pounds. On which of course it duly paid corporation tax so this, this isn't simply the idea that this is money just being spirited away you know is really falsified by the fact that there's a real, a very real consequence on Grosvenor, and its net asset value. Sorry, the Grosvenor Trust, what I hadn't mentioned was the Grosvenor Trust of course paid income tax ...

DUFTON
VENABLES

Yes.
... but the beneficiary of the Grosvenor Trust is Grosvenor Trustees and it paid, well it was liable to pay corporation tax. It had a corporation tax liability on that figure whatever it was two fifty thousand. Because of the way the tax system works, the trustee of the Grosvenor 2017 Trust had to pay twenty per cent income tax, on account as it were. But as Grosvenor Trustees is a company within the charge to corporation tax it's not liable to pay income tax. So it was entitled to a credit against HMRC for the amount of income tax paid by the Trust and that exceeded its own corporation tax liability.

...
BANKS

The Mel Trusts were subject to incorporation of a Christopher Lewis Jones Deed Poll of the 25th of the 10th 1999. Do you agree?

VENABLES

Well I don't have the Deeds here with me but I think that was one of the documents.

DUFTON
VENABLES
BANKS

I think I've got that.
Which Kingsley Napley sent to you.

VENABLES

Yeah I believe it was.
And which came from me. So I think that that sounds as if it's correct.

BANKS
VENABLES

Okay. Who is Christopher Lewis Jones?
Christopher Lewis Jones is an individual whom I've known since the 1970s.

BANKS

Okay. Is it not the reality that you were a settlor of these of these Mel Trusts and not Christopher Lewis Jones because this money is the net profit from Citadel Limited that you have controlled?

VENABLES
DUFTON
VENABLES

Hold on.
Is Christopher Lewis Jones a friend of yours ...
Yes.

DUFTON ... or business associate or both?

VENABLES He is a friend. We've I don't think we've ever been in business together, he's one of my oldest friends yes.

DUFTON I sort of meant more erm like a business adviser or do you know what I mean if you had a business relationship with him rather than just a personal relationship?

VENABLES No it's really I mean it's a personal relationship he's for many years worked in the Crown Agents, I don't know if you've heard of them. It's in basically providing services to governmental services to third countries and that's his area of expertise. So it's nothing at all to do with my anything that I'd be involved in. It's really erm well he's one of my best friends you know and oldest friend so and that's really it.

DUFTON Thank you.

BANKS Do you want me to repeat that question that I asked before?

VENABLES Oh I'm sorry yes please?

DUFTON Sorry.

BANKS Is it not the reality that you are the settlor of these Mel Trusts and not Christopher Lewis Jones because this money is the net profit from Citadel Limited that you have controlled?

VENABLES Well I didn't control Citadel so that in itself is a sufficient answer I think.

BANKS Okay.

VENABLES But even if I had controlled Citadel that wouldn't make me the settlor of those trusts.

BANKS Okay.

VENABLES The trusts have been created before Citadel made the gifts. They must have been mustn't they. So who is the settlor of the trust is a I think it unless you're talking about some extended meaning but look I can't enlarge on this today.

BANKS Okay.

DUFTON Thank you.

BANKS Do you agree that you are the Appointor and this sets out very wide powers to you that include the power to remove or replace trustees for the ten Mel Trusts?

VENABLES I believe I am the Appointor.

BANKS Yeah.

VENABLES I'm not at all sure when you say very wide powers well I can bet my bottom dollar I do not have power to ensure that the assets of the Mel Trust are paid to me personally. That's one huge erm restriction. I may or may not have power to appoint trustees, I might well do but I'm again I you know without any notice of this, I would be surprised if I had power to remove a trustee

except for good reason.

BANKS Okay. Did you exercise that power in April 2020 when Christopher Lewis Jones was replaced with Breangale as a trustee?

VENABLES I think Kingsley Napley have sent you a document which I discovered and I believe that was in April 2020 and I believe that as Appointor, actually come to think of it maybe I, well definitely the result of that was that Christopher Lewis Jones ceased to be a trustee.

BANKS Okay.

VENABLES And was it Breangale became a trustee?

BANKS Yes Breangale Limited yes.

VENABLES Yeah. I can't quite remember the precise powers I was exercising.

BANKS Okay. Why were you given the role as a Appointor?

VENABLES Well you must ask Mr Lewis Jones, no I mean (*laughs*) no really.

DUFTON Did he appoint you, did, did your friend Christopher Lewis Jones appoint you as the Appointor?

VENABLES Again you would need to look at the Trust Deeds which were sent you but I think I'm named as the first Appointor in the Trust Deeds so in a sense yes he did because he was the person who created the trusts.

BANKS Okay.

VENABLES You've got to look again you in every case of every trust you've got to see exactly what powers an Appointor has and doesn't have. There's no magic in the in name Appointor I think it can mean different things in different context.

BANKS Why did you replace the trustee for the Mel Trusts to be Breangale Ltd?

VENABLES Why did I?

BANKS Why were, why was Breangale put as the trustee for all the Mel Trusts or replaced the former trustee?

VENABLES I'm not a hundred per cent sure about that. Do you mind if I pass on that at the moment.

SOLICITOR We don't have the Mel, any of the Mel Trust deeds do we here?

VENABLES Sorry?

SOLICITOR We don't have any of the Mel Trust deeds here now?

BANKS Unfortunately not sorry.

VENABLES It's you know this was over two years ago so I can't, no doubt there would have been some reason but it could have been many.

BANKS Okay. Apart from replacing trustees did you exercise any powers as Appointor and if you did can you tell me what they were?

VENABLES As far as I recollect none at all.

BANKS Okay. I suggest to you that you didn't need to exercise any other

powers as the beneficiaries of the Mel Trusts as per the Deed of Poll are you and Gary Bernard Morris?

VENABLES Well have we got a copy of the Deed Poll here, no?

BANKS Unfortunately not sorry.

VENABLES Are we the only beneficiaries?

BANKS I'm not a hundred I couldn't a hundred per cent say.

VENABLES Well is this is the trouble you see how come I'm sorry I can't advise. I, you can't imagine how many documents I have to consider you know from week to week from month to month I mean huge amounts of stuff and I just can't get it all in me head.

DUFTON But I think also this is here to sort of show HMRC's view of the matter that this is how they're seeing it, how we're seeing it that we believe that you didn't need to exercise any other powers as the beneficiaries of the Mel Trust as per the Deed Poll you and Gary Bernard Morris received you know were the people that received the benefit of it. I think it's more a statement as well.

VENABLES Well as far as I'm aware we have received neither of us have received any benefit from the Mel Trusts.

BANKS Okay.

VENABLES You've got to remember, is it, look the trouble is I can't even remember what the precise trusts were but you can say people are the beneficiaries but what are the beneficial interests? Is it entirely discretionary, is it you know and I, I just can't remember. Again you see this is the huge import, huge importance if you want helpful answers of giving information in advance of the questions you're going to ask and allowing plenty of time for research.

BANKS But you only, you did only recently give us these documents within the last two weeks.

SOLICITOR But given doesn't mean he's read and gone through them in detail. You asked for the Mel Trusts and Mr Venables gave them to me and I gave them to you.

VENABLES All I was concerned to do was to see if we had clearly if they were available erm scanned copies of things, of various documents and I believe, isn't there some problem with one of them because ...

SOLICITOR Some of them are scanned incorrect.

VENABLES It was thought there was a scanned copy of one document but it was only the first and last page. That had to be re-scanned. Now my you know I've got a hell of a lot on my in this narrow time scale my concern was to make sure that you actually had the documents. I wasn't going them and reading them all again and that wasn't the, as you say Phil, you know.

The tape was coming to an end, and the interview was stopped at 6:18pm.

Interview: 6:23pm-6:54pm

Mr Venables was reminded of the caution.

BANKS Okay so far there is an excess of one million pound in Citadel Limited's net profit, net profit after tax profits. You write ten cheques, as we showed earlier on the exhibits, splitting the net profit and it's settled in ten Mel Trusts, you, you are the Appointor of these trusts and have very far ranging powers. The trustee's Breamgale limited which is you and Michael Venables and the beneficiary of ...

VENABLES Sorry the trustee of?

BANKS The Mel Trusts.

VENABLES Not I think, well not before 2020 not, sorry ... which, which point of time are you talking about?

BANKS I, I believe this is in reference to 2019 so ...

VENABLES Then, then I don't think, I don't think Breamgale became the trustee of any of the Mel Trusts until April 2020, I think we had that a little while ago so that may or may not been material but it could be ...

DUFTON I think it's important to (*inaudible*).

BANKS Okay.

VENABLES Yeah.

BANKS So why would Citadel Limited give the majority of its net profits to the Mel Trusts?

VENABLES Why would it do that? Well there might be all sorts of reasons mightn't there? It was empowered to do so. I've got to, this is the difficulty, I'm sure there is an answer the trouble is trying to recollect without any prior notice ...

SOLICITOR Mmm hmm.

VENABLES ... and at the end of a very, very long day you, I, I, I know it must have been tiring for you too but it's been equally tiring for me ...

SOLICITOR Mmm hmm.

VENABLES ... if not more so cos you've been reading the questions I've been trying to find the answers.

SOLICITOR It may well be a question for Michael as director of Citadel in any event.

VENABLES Sorry may be?

SOLICITOR It may be a question for Michael as director of Citadel in, in any

event.

VENABLES It ... it's pure speculation but I think one avenue which I would pursue is the fact that the shares in Citadel were held on trust ... and that might be ... give us a clue as to whether ... the trustee of that trust thought it appropriate cos he'd have to consent under the articles, thought it appropriate for these gifts to be made, there you go. I'm sorry I, I, I can't say any more today.

BANKS Okay. The next event involving the net profits of Citadel Limited is that the Mel Trusts then loaned between approximately one point one million to the Grosvenor 2007 Trustees ...

VENABLES Mmm hmm.

BANKS ... a partner in which the RV, a partner in the RVQC Partnership who then inject the sum into the RVQ, RVQC Partnership as capital. Did you write and sign the cheques, had a cheque for £1.135 million that resulted in the money moving from the Grosvenor Trustees Limited Celestial account into your Number 4 Chambers account, an account that you were the only signatory to?

Mr Venables explained that the cheques were bounced by HSBC, and then asked to the question to be asked again.

BANKS Okay so did you write and sign the cheque for £1.135 million that resulted in the money moving from Grosvenor Trustees Limited Celestial account into your number four chambers account, the account that you were the only signatory to?

VENABLES Yeah and just, just on the latter I may have been the only signatory on the RV on the, on the No 4 Chambers account but remember that doesn't mean that this is my money that I can do with as I, as I think fit, this is an account of the partnership and that money became partnership assets and again you've really got to refer to the document or documents, the legal documents evidencing all this as to what was happening. It is absolutely vital and if I could make a criticism of the investigation, not necessarily of the two of you, certainly it's far too much time has been spent on analysing what money went from what account to what account without ever asking why, and in order to understand that you've got to see the legal documents, sorry whatever they are, to explain it and that puts (*inaudible*) a very different complexion on things.

BANKS This is a huge numbers of steps when in actual fact all that was needed to take place was the, to pay the income tax due on the dividend income you received when the net profit was extracted

from Citadel Limited that remained in your control and was then injected into the RVC, RVQC Partnership structure. Why didn't you just do that?

VENABLES I'm sorry ... who's you, Robert Venables?

BANKS Yeah sorry.

VENABLES Well Robert Ven ...

BANKS (*inaudible*).

VENABLES ... Robert Venables wasn't entitled, Robert Venables would but Robert Venables would not have been entitled to any dividend paid by Citadel. So I mean that's why it's, the question doesn't really stack up.

BANKS I suggest to you it is because twenty percent corporation tax had been paid on Citadel Limited, Citadel Limited's profits and as with the RVQC Partnership structure, you decided that twenty percent was enough tax to be paid. Is this correct?

VENABLES Well this wasn't entirely my decision but you've got, you see what, what you have to ... how can I (*inaudible*) trouble is you, things, explaining things in three hours is easy, explaining things in three minutes and then in a very succinct way ... it is true that had a dividend been paid by Citadel that would have resulted in a charge to income tax ...

BANKS Yes.

VENABLES ... it would not have been on me by the way, it would have been on the trustee of the trust, Breamgale, and I forget what the rate would have been, it would not have been the forty five percent rate but that's another matter. It is also true that in my view ... because instead of paying a dividend Citadel made donations of the bulk of its assets, no income tax was payable ... okay.

DUFTON Can you say that again sorry?

VENABLES Yeah it is my view ...

DUFTON It is important.

VENABLES ... that in the events which happened, what actually happened the paying, making, the making of the donations by Citadel did not give rise to a liability to income tax on anybody. Now of course I can't give you a short reason for that, the answer is that there was no provision anywhere in all the complicated taxing Acts which said that these donations, which were transfers of capital, should be taxed as income I mean that that's a as near as it gets.

DUFTON Okay.

VENABLES And so your question was ... given that you could have two very different things, one the payment of the dividend where the ... the, the post-tax, where the dividend would have been taxable

and finished up in one set of trusts and then there was another possibility where you have donations which are not taxable, cos they're transfers of capital, to another set of trusts. Why on earth should anyone have decided to choose the route to involve a lesser amount of tax being paid.

DUFTON Are we saying the full £1.135 million were donations?
VENABLES Yes.
DUFTON Okay. Let's, lets ...
VENABLES Yeah.
DUFTON ... just be clear ...
VENABLES Yeah, yeah I ...
DUFTON ... because you can see where we're coming from so we need to understand.
VENABLES Yes they're, they're not, they're not dividends.
DUFTON Okay.
....

DUFTON And you're saying that the money was donations anyway and therefore not liable to tax?
VENABLES Yeah.
DUFTON Yeah thank you.
VENABLES Dividends would have been taxable the ...
DUFTON Yes they ...
VENABLES ... donations weren't.
DUFTON Yes. Thank you.

At the end of the interview Mr Banks summarised HMRC's view that Mr Venables had not been paying the correct tax, and that he had devised fraudulent arrangements to evade tax for himself personally, via the RVQC Partnership and Citadel Limited.

VENABLES I think we've got that and very, very briefly all allegation of fraud is denied ... and there are so many points in there that are unsubstantiated, so many points based on misapprehensions and the one thing that doesn't seem to have been mentioned anywhere in this enquiry, and I would respectfully draw your attention to it.
DUFTON Please do.
VENABLES Why does someone in my position need to act fraudulently ... when they have the expertise ... to mitigate lawfully their tax liability and that's a huge difference. I'd like you to ponder on that ... and you will, I have to say that you're likely to receive further communications. Do bear in mind even if I have engaged you think in certain respects I have engaged in tax planning,

which you wished I hadn't, that doesn't mean for one moment a) that it wasn't effective and b) that I didn't believe it was effective or for that matter still believe it was effective. Remember for you to substantiate criminal charges ... you have to show not only the tax had been underpaid but that I knew it was underpaid and that, that is the crucial distinction. Now this is something that we in the law absolutely know the difference, tax planning and tax evasion they are completely separate things and that's why the technicalities are very important. Sorry I'm going too quickly for you aren't you this is ...

DUFTON

No, no, no, no you (*inaudible*).

BANKS

It's all on the tape anyway so.

VENABLES

Okay. And could I just please ask you to try and get better quality advice on trust law and on tax law cos otherwise it's going to be a nightmare you know. Phil is there anything else?

SOLICITOR

I don't think so.

VENABLES

Thank you very much and I would like to thank you both for the very courteous way indeed in which you have both conducted this interview, and you have made ... what's never a pleasant occasion, I think you have been utterly professional and you have not gone out of your way to be in anyway belligerent and could I thank you both for that.

DUFTON

Of course thank you. Thank you for answering our questions.