

Should the Church of Scientology in your local authority (UK) receive a reduction in Business Rates?

Summary

UK local government bodies may be asked to reduce business rates for Church of Scientology properties in the UK. There are three distinct bases on which relief might be granted: **Section 43** (charities), **Section 47** (not-for-profit religious), and **Schedule 5** (religious worship) of the Local Government Finance Act 1988. Some Scientology properties have already been granted relief under Section 43 and Section 47.

The Church of Scientology is established in the UK under a South Australian entity called COSRECI. There are questions as to the nature of the Australian entity. The Church of Scientology raises significant income through expensive "auditing" of its members. Profits are then hidden, to provide an appearance of break-even operation.

Scientology entities in the UK are not eligible for relief under the three sections of the act mentioned above:

Section 43: Scientology is not a charity in the UK and was rejected for charitable registration in 1999. In some UK documents it claims to be a South Australian charity, however this is false. Despite this, Scientology has successfully achieved rates relief on the basis of claiming to be a charity in at least one case, for reasons which remain confusing even after a FOI request.

Section 47: Scientology churches claim to be not-for-profit, but this is a ruse, with contrived or excessive charging by the US parent operation being used to send profits offshore. Scientology has successfully been granted rates relief on the basis of being a not-for-profit religious practice in at least one case.

Schedule 5: Scientology churches are not Places of Worship, according to a previous court finding. Scientology religious practices do not conform to any understanding of "worship" as commonly understood.

Local Authorities are advised to take extra care and apply the law attentively when dealing with the issue of business rates relief for Scientology entities in the UK.

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1. Introduction

This document aims to assist local governing bodies in the UK faced with requests or reapplications from Church of Scientology entities for business rates reductions.

This document points out existing sources of information and offers the author's own knowledge as an ex-member of the Church of Scientology to help local authorities come to their conclusions.

1.1 Status of Business Rates Exemption in the UK

Through [applications made](#) using the [Freedom of Information Act 2000](#) and from a [Sunday Express article](#) the business rates relief status of various Scientology premises in the UK has been ascertained and is presented below. For some premises information is still pending and for others, the status is unknown. It appears there is not a consistent viewpoint among local governing bodies regarding whether a business rates reduction should be granted nor on what basis. In the City of London, for example, they currently receive an 80% mandatory exemption from business rates. In contrast, in East Grinstead, where the Church of Scientology in the UK has its headquarters, no business rates relief is given.

It is a great incentive to obtain business rates relief. In the case of the City of London, where the Church of Scientology currently receives an 80% rebate, they save paying in excess of [£270,000](#) per year. At the time of writing, they are aiming for a [100% rebate](#) and so pay no business rates at all, saving [£351,680](#) per year.

Name	Address	Rates Relief	Comments
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Church of Scientology London	146 Queen Victoria Street London EC4V 4BY	80% mandatory (LGFA s43)	reason pending from FOI req.
Dianetics and Scientology Centre London	68 Tottenham Court Road London W1T 2EZ	unknown	refused FOI request due to court proceedings
Church of Scientology Celebrity Centre London	42 Leinster Gardens London W2 3AN	80% mandatory (LGFA s43)	
Church of Scientology Advanced Org Saint Hill and Saint Hill Foundation	Saint Hill Manor East Grinstead West Sussex RH19 4JY	none	
Church of Scientology Mission of Tunbridge Wells	47A High Street Kent TN1 1XL	unknown	Mission
Church of Scientology Brighton	79-83 North Street, Third Floor Brighton BN1 1ZA	none	
Church of Scientology Mission of Hove	72b/c Church Road Hove BN3 6EB	unknown	Mission
Church of Scientology Mission of Eastbourne	57 Cavendish Ave Eastbourne BN22 8EP	none	Mission (residential)
Church of Scientology Mission of Bournemouth	42 High Street Poole, Dorset BH15 1BT	none	Mission
Church of Scientology Plymouth	41 Ebrington Street Plymouth,	none	

	Devon PL4 9AA		
Church of Scientology Birmingham	Winston Churchill House 8 Ethel Street Birmingham, B2 4BG	80% discretionary (LGFA s47)	
Church of Scientology Manchester	258 Deansgate Manchester M3 4BG	none	
Church of Scientology Mission of York	Matmer House Suite 4, 35 Hull Road York YO10 3JW	none	Mission
Church of Scientology Sunderland	51 Fawcett Street Sunderland, Tyne and Wear SR1 1RS	100% mandatory +discretionary (LGFA s43+s47)	

This list is not complete. There are other Scientology buildings that are not listed. The entries have been taken from the Church of Scientology's own web site [listing their churches in the UK](#) but with 68 Tottenham Court Road added. Only English churches are shown. The rates relief status is that for June 2010. "Missions" are privately run Scientology churches, run for profit. Mission holders are not expected to apply for business rates relief. Some of the missions might be very small and exist at a residential address.

1.2 Mandatory and Discretionary relief under the Local Government Finance Act 1988

The [Local Government Finance Act 1988](#) (LGFA) describes the conditions where a Billing authority can reduce the amount of business rates charged.

If a Church of Scientology entity were a **charity** then **section 43** of the LGFA would apply and they would be entitled to a **mandatory** rate relief of 80% provided their premise is "**wholly or mainly used for charitable purposes**" ("**Hereditament**" has a special meaning when referred to in local government Acts and is defined in section 115(1) of the [General Rate Act 1967](#). A "hereditament" is simply any rateable non-dwelling).

43 Occupied hereditaments liability

[previous subsections deleted]

(6) This subsection applies where on the day concerned the ratepayer is a

charity or trustees for a charity and the hereditament is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities).

Note in the above that it both must be a charity **and** that the hereditament must be used for charitable purposes. It would not be enough for a charity to just be a charity and use the hereditament for any purpose that suited them. They must both be a charity and use it for charitable purposes. This is important to keep in mind. If a local authority is handling an application for mandatory rates relief then they should be assured that not only are they a charity but that **the premises** are wholly or mainly going to be put to use in a charitable way that reflects the charitable purposes they are claiming. Perhaps most local authorities just assume the second condition is met so long as they are convinced about the first part but sometimes it might not be met.

If a Church of Scientology entity is not a charity they can still get a **discretionary** rates relief according to section 47, subsection 2(b) of the LGFA.

47 Discretionary relief

(1) Where the first and second conditions mentioned in subsections (2) and (3) below are fulfilled for a day which is a chargeable day within the meaning of section 43 or 45 above (as the case may be)—

(a) the chargeable amount for the day shall be such as is determined by, or found in accordance with rules determined by, the charging authority concerned, and

(b) sections 43(4) to (6) and 44 above, sections 45(4) to (6) and 46 above, regulations under section 57 below or regulations under section 58 below (as the case may be) shall not apply as regards the day.

(2) The first condition is that one or more of the following applies on the chargeable day—

(a) the ratepayer is a charity or trustees for a charity, and the hereditament is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities);

*(b) the hereditament is not an excepted hereditament, and all or part of it is occupied for the purposes of one or more institutions or other **organisations none of which is established or conducted for profit** and each of whose main objects are charitable or are otherwise philanthropic or **religious** or concerned with education, social welfare, science, literature or the fine arts;*

(c) the hereditament is not an excepted hereditament, it is wholly or mainly used for purposes of recreation, and all or part of it is occupied for the purposes of a club, society or other organisation not established or conducted for profit.

(3) The second condition is that, during a period which consists of or includes the chargeable day, a decision of the charging authority concerned operates to the effect that this section applies as regards the hereditament concerned.

The Billing authority can grant relief of up to 100% for non-profit bodies, including charities already entitled to "mandatory" relief.

1.3 How Churches of Scientology get a rates reduction

From information obtained, both "mandatory" and "discretionary" relief is applied in different local authorities. Sometimes they claim to be a charity (although unregistered as such) thus benefiting from **section 43**, and sometimes they claim to be a non-profit religious body, thus benefiting from **section 47**. The discussion below of section 47 (non-profit religious) is also applicable to section 43 (charity charitable purposes) since if it can be established that the activities of the church are **for profit** then it might **exclude** the idea of their activities being **charitable**. As such, the reader should not skip the discussion of Section 47 if they are only interested in Section 43.

Before we address section 47 and section 43 there is another important topic to address. That is the "place of worship" issue. If a Scientology premise can be registered as a "place of worship" then they will be exempt from business rates - at least on all areas that have to do with the place of worship. This could include administrative offices and the grounds. This topic is easy to address and will be done before a discussion of section 47 and section 43. It can be skipped if not of interest.

1.4 Who pays for business rates relief?

The government expects a certain amount of business rates to be collected across the country so if relief is given then there is a shortfall that must be raised by increasing tax elsewhere. Mostly, the shortfall is raised by the government from increased business rates across the country but the rest must be raised by the local authority from other sources, usually Council Tax on dwellings. For a **mandatory** rates relief of 80% then this all comes from the government out of increased business rates across the country. The local authority is not directly affected. But if a local authority grants rates relief to a charity beyond 80%, using discretionary relief, then the local authority must raise 75% of this extra in the form of increased Council Tax on dwellings while the government makes up the other 25% out of general increased business rates. For discretionary relief, given to non-profit bodies, then the government must raise 75% and the local authority must raise 25%. Applying this formula in the example where 100% rates relief is granted on a property with business rates of £100,000 per year then for a **charity**, the government must raise £85,000 and the local authority must raise £15,000 whereas for a non-profit organisation, the government must raise £75,000 and the local authority must raise £25,000.

It is important to understand that when rates relief is given, it has to be paid for from other sources. In the case of mandatory rates relief of 80%, it is easy for a local authority to grant this because they do not have to pay for it themselves. It is the government who must find this money from businesses spread across the whole country and yet these businesses have no say in the matter. It would perhaps be fairer if mandatory rates relief were granted by central government itself or, if left in the hands of local authorities, then it would be better if central government gave strict guidelines to local authorities about the granting of mandatory relief and checked their procedures.

A problem local authorities face is when there is an argument over payment of business rates and the local authority has to take the matter to court. If they lose then the costs of the legal action has to be paid for by the domestic ratepayers but if they win then they can only recover their expenses and all the money awarded has to be given to central government. Because of this, it is not in the interests of local authorities to pursue difficult cases.

Lastly, it should be stressed that, at the end of the day, it is the ordinary person in the street who has to pay for this because even if they are not affected by increased Council Tax then any increase in business rates will be passed onto the customers of those businesses in the form of higher charges.

2. Local Government Finance Act Schedule 5 -- Places of Worship

2.1 Summary of Schedule 5

To be eligible for business rates exemption under Schedule 5 of the LGFA then the property would have to be **registered** as a place of worship. Due to a court decision that failed an appeal by Segerdal in 1970 then Scientology premises are not considered to be places of worship and so a Schedule 5 exemption does not apply.

2.2 Place of Worship

If Church of Scientology premises could be **registered** as a place of worship then, as previously stated, they would be entitled to an exemption of business rates on that and related areas. This exemption of business rates is described in [Paragraph 11, Schedule 5 of the Local Government Finance Act 1988](#).

Places of religious worship etc.

11 (1) A hereditament is exempt to the extent that it consists of any of the following—

(a) a place of public religious worship which belongs to the Church of England or the Church in Wales (within the meaning of the [1914 c. 91.] Welsh Church Act 1914) or is for the time being certified as required by law as a place of religious worship;

(b) a church hall, chapel hall or similar building used in connection with a place falling within paragraph (a) above for the purposes of the organisation responsible for the conduct of public religious worship in that place.

(2) A hereditament is exempt to the extent that it—

(a) is occupied by an organisation responsible for the conduct of public religious worship in a place falling within sub-paragraph (1)(a) above, and

(b) is used for carrying out administrative or other activities relating to the organisation of the conduct of public religious worship in such a place.

Scientologists do not worship a God or gods or worship any other sort of entity whether physical or spiritual. The path to spiritual progress for Scientologists is through learning Scientology from books, doing courses and, most importantly, through their process called "auditing" ("auditing" has an internal Church meaning and is nothing to do with financial accounting). It is through "auditing" that they ascend their "Bridge to Total Freedom" and obtain what could be termed "salvation". They have a concept called "The Dynamics" and "The Eighth Dynamic" could be interpreted as both God and Infinity - but they never address this as a practice. They do not pray to the Eighth Dynamic nor pray to anything else. Worship is

not part of Scientology practises. Scientology aims to restore the State of Man to a previous perfect state so it can be argued that they believe in the Spirit of Man and in it recognise a form of Godliness in Man but it is no part of their "Bridge to Total Freedom" to either pray to or worship anything at any time.

Every Scientology church has a space described as a "**chapel**" but for smaller churches it is a multiple use room that will rarely be used for a Scientology wedding service and might on Sundays be used as a religious gathering place for the purposes of a talk or lecture open to the public. But **never** does a Scientology chapel get used for the purposes of **worship**. The Church of Scientology has the option of **registering their premises as a "place of worship"** with their local authority under the "**Places of Worship Registration Act 1855**" but as far as the author is aware, they have never done that for any of their chapels or any part of their churches since they [lost an appeal by Segerdal in 1970](#) to have their chapel at St. Hill manor registered as a "place of meeting of religious worship".

Note that 11, 1(a) is being referred to in the wording - "**certified as required by law as a place of religious worship**". But it was made clear by the [lost appeal of Segerdal](#) in 1970 that The Church of Scientology does not practise "worship" as defined under the Act and are therefore not entitled to do that. **Therefore, the author notes with some puzzlement** that the premises occupied by the London Church of Scientology at [146 Queen Victoria Street](#) had an application for a change in use of premises approved. The change request was as follows:

*Change of use from office (Class B1) to **place of worship** and non-residential educational and training centre falling within Class D1 of the Town and Country (Use Classes) Order 1987 as amended.*

Although its change of usage has been approved and exists on official records, this is not the same as the premises being **registered** as a place of worship. For this they would have to apply to the Local Register Office after filling out [Form 76](#) in duplicate and having that application accepted by the Registrar. Only then would they get an exemption from business rates. It is also of interest that their building is categorised under "Places of Worship" in the [UK Business Phone Directory](#) as a search on "church" and "Scientology" in the two search boxes will reveal. However, they have no registration under the Places of Worship Registration Act 1855 when this was enquired about using a [Freedom of Information Request](#).

In ending this section, the author would like to make people aware of the "[Equality Act 2006](#)" which makes it an offence to discriminate against a religion on the grounds that it might be a religious philosophy only. Whether this will have any bearing on the issue of "place of worship" remains to be seen. A link to that Act is provided for the sake of completeness, only.

3. Local Government Finance Act Section 47 -- non-profit religious -- discretionary relief

3.1 Summary of Section 47

To be eligible for a business rates relief through section 47, subsection 2(b) of the Local Government Finance Act 1988 then an organisation is eligible if they are "**religious**" and the activities such that "**none of which is established or conducted for profit**". The author argues that the first condition is met but not the second.

3.2 "religious"

Section 47, subsection 2(b) can apply to Churches of Scientology if they are deemed to be "religious". Scientologists believe that they are **thetans** who have become trapped in bodies through their negative experiences accumulated over countless billions of years. Their aim is to identify these experiences and release the trauma and in so doing, gradually restore themselves to their native state (called an ["operating thetan"](#)) where they could exist without the need for a body. In this state they can interact with the universe using "postulates" rather than through physical means. Although there is no such thing in the UK as a "recognised religion" and although the Scientology religion does not involve worship of a God, it has a belief structure and an aim for salvation and uses methods that they hope will achieve their aim. Whether Scientology is a "religion" or not is a contentious subject but the Church of Scientology has won court cases that have given it religious recognition in a number of countries and so it would meet the "religious" requirements of Section 47, subsection 2(b).

3.3 Non-profit status: Churches vs. Missions

The reader is asked to pay particular attention to the argument put forward in this section. For section 47, subsection 2(b) to apply then the activity should be such that **"none of which is established or conducted for profit"**. And here there is a major conflict in the meaning of this activity between Scientology "missions" and churches. **Missions** are set up by individuals **for personal gain** (pre-1980, "missions" were called "franchises"). The "mission holder" will have bought a "mission pack" from a Church of Scientology at a cost of a few thousand pounds. They hope to set up a Scientology mission in their local community and hope that the mission will flourish and they will make a profit out of it. Some do very well at this. A notable success has been the Bournemouth mission (which actually operates in Poole). These missions are individual enterprises set up with the hope for profit and, as such, there is no record of them ever having applied for a business rates reduction. Being for profit, they do not qualify. And yet what they are selling in these missions is the same thing for the same price as would be sold in one of the churches. To clarify, most missions only sell low-level Scientology products, but in the case of the Bournemouth mission, they sell the same services as the other major Churches in the UK. **They are selling the same things for the same prices** as the churches and yet the churches, rather than the missions, will be the ones making an application for a business rates reduction so the reader may wonder how it is that the churches claim they are **non-profit** whereas the missions, selling the same things at the same prices, do not make this claim.

3.4 How Church profits are hidden

The churches in England pass money back to the controllers of the Church in the US as fees and paid debts rather than profits making sure that the churches in England always owe money. For example, insisting that those running church operations in England are trained in the headquarters in Florida. These training courses are priced very high. And so they train a few English staff so that the churches in England owe the US hundreds of thousands of dollars. Another method is sending in "Sea Org missions". The US sends in missions and charges the UK church hundreds of thousands of dollars. The Church of Scientology in the UK is currently undergoing expansion into larger premises they call "Ideal Orgs". These buildings will all be owned by a Scientology-owned offshore investment company and the churches will have to pay a large rent on these buildings so again, they will be passing money back to the US. The churches in England have thus been set up in such a way that they can never make much of a profit and sometimes make a loss, despite returning huge sums to the US parent organisation.

A link is provided for the reader who wishes to study the corporate structure further but you are warned that it might take many hours of study to understand the [corporate and financial structure of the Church of Scientology](#).

3.5 COSRECI

Currently, the UK churches are owned or controlled by **COSRECI** (Church of Scientology Religious Education College Inc.) registered at Companies House as company number FC009154. You can do a [search on this company number](#).

When they submit their unaudited financial statements then for some years they show a small profit and for other years they show a loss. Perhaps these accounts are sent to local authorities to establish their "**not for profit**" status when they make an application for a business rates reduction. But their "losses" are just the way the controlling Church in the US gets the money funneled back to them. The churches making applications for business rates rebates are in fact hugely profitable due to the expensive nature of following the Scientology religion, as will be explained in the following sections.

3.6 Income from "auditing"

At the time of writing, if you walk into a Scientology premises then nowhere will you see a complete set of price lists for what they are selling or delivering. Perhaps they have no legal obligation to do this and choose not to as some of the prices could be a deterrent. Introductory courses and even introductory "auditing" are not expensive for a person who first gets into Scientology. The prices they charge for this are perhaps excusable, given their "principle of exchange" that they are bound to abide by. This is the "**Dianetics**" side to Scientology. "Dianetics" involves reading and applying what people learn from the book "**Dianetics: The Modern Science of Mental Health**" (also known as "**Book One**" within the Church). A person then goes on to learn and apply "**Book One auditing**". It could easily be argued that this is at cost price to the Scientology organisation and that no profit is made. But **Dianetics is only used as an introduction to Scientology**. The Dianetics phase does not last long for the majority of the new recruits. After that, the [Scientology auditing](#) phase takes over and this is **expensive**. Many hours of auditing are required (approx. 200-250 hours) to go through the various processes ([Expanded Grades](#) and [New Era Dianetics](#) auditing) until they reach the state called "[Clear](#)" and this will cost a good deal of money.

Recent UK prices for what is called HGC (Hubbard Guidance Centre) auditing has been sought but have so far been impossible to obtain so cost estimates are extrapolated from published US prices. The hourly rate for HGC auditing in the UK is estimated to be **£200 per hour**. The estimated cost of being audited up to "**Clear**", estimated as typically 200-250 hours of auditing (it varies a lot from person to person) would therefore cost around **£45,000 pounds**. If the aim were to break even financially then Scientology auditing would cost little more (due to some extra staff training) than the introductory Dianetics auditing given to new recruits.

In 1964, the price of Scientology auditing was set roughly on the basis that 25 hours of auditing would be charged at the same rate as the average monthly salary for the upper working class or the lower middle class. This is in accordance with the wishes of L. Ron Hubbard, the founder, in his policy letter named: **HCO PL 23 Sept 64 "Policies: Dissemination and Programmes"**. An extract from this Policy Letter states the following:

ONE WEEK'S PROCESS (25 HOURS) SHOULD COST AN AVERAGE MONTH'S PAY (AS IN TRAINING).

But processing of a special nature at higher levels can be charged at higher rates.

It seems that this policy has been withdrawn. It was included in the collection of Policy Letters (called the "OEC Volumes" or the "Green Volumes") in 1976 but was not included in the 1991 version. **The prices are now significantly higher**. Clearly, a lot of people will not be able to afford this (this matter will be re-addressed later in this document in relation to the charitable aims of Scientology in that it is open to all

people, including the poor).

Most Scientology premises of any size (called "Class V Orgs") sell "auditing". They have a number of small rooms called "auditing rooms" especially for this purpose. It is a major intended source of income for them. "Auditing" is not incidental to the spiritual progress of the practitioners. It is a requirement for their spiritual goal which is to ascend the "Bridge to Total Freedom" (a Google search on this phrase will reveal images of this "Bridge" that shows all the levels that are to be attained. [This link](#) might still work).

3.7 The OT Levels

Beyond the state they call "Clear" are what they call the "[OT levels](#)". The only Scientology premises in the UK allowed to deliver these "OT levels" is their "Advanced Org" in the grounds of St. Hill manor at East Grinstead. There are also the "**L Rundowns**" that those on the "OT levels" sometimes opt to do. These have to be done in the US or on their ocean-going liner, [The Freewinds](#). The prices charged for auditing the OT levels are far higher than the prices for auditing up to Clear. The prices for auditing the L Rundowns are far higher than the prices of auditing the OT levels. The most recent price list shows that the L Rundowns cost an estimated \$99,000. Before starting the OT levels, the practitioners have to pass their "eligibility checks". This involves expensive "security checks" which are run in a fashion similar to auditing. Part of being "eligible" to start the OT Levels also involves proving your worth by making a large monetary donation to the IAS (International Association of Scientologists). When a person gets up to the OT level known as OT VII then they have six-monthly security checks, again at a high price. The entire cost of ascending the "Bridge to Total Freedom" for a practitioner, which includes the L Rundowns, security checks and expected IAS donations, has been estimated at **\$365,000 or more**. This is a high price to pay for spiritual freedom and difficult to reconcile with the notion of being "non profit".

4. Local Government Finance Act Section 43 -- charity, charitable purposes -- mandatory relief

4.1 Summary of Section 43

The author argues that the Church of Scientology, also in the form of COSRECI, does not fit the definition of a "charity" under current UK charity laws and nor does their activity fit the definition of "charitable purpose".

4.2 "Charity" and "Charitable Purpose"

The meaning of both "charity" and "charitable purpose" was clarified by a change in UK law called [The Charities Act 2006](#). The contents of Part 1 are as follows. Note that both the meaning of the word "charity" and the meaning of the term "charitable purpose" are addressed.

Part 1

Meaning of "charity" and "charitable purpose"

- 1. Meaning of "charity"*
- 2. Meaning of "charitable purpose"*
- 3. The "public benefit" test*

4. *Guidance as to operation of public benefit requirement*
5. *Special provisions about recreational charities, sports clubs etc.*

4.3 Part 1 of the Charities Act 2006

This is what is in Part 1 of the Charities Act 2006 concerning the definition of a "charity". Note that **both** conditions have to be met to be considered a charity under English law. The second part states that it "falls to be subject to the control of the High Court". Note that **foreign charities** that do not meet the second part of the definition are therefore not "charities" under English law.

1 *Meaning of "charity"*

(1) *For the purposes of the law of England and Wales, "charity" means an institution which—*

- (a) is established for charitable purposes only, and*
- (b) falls to be subject to the control of the High Court in the exercise of its jurisdiction with respect to charities.*

Next comes the meaning of "charitable purpose". You will see that the meaning involves two parts. The first condition is that it falls within subsection (2). The second condition is that it "is for the public benefit". Note that **both** conditions must be met.

2 *Meaning of "charitable purpose"*

(1) *For the purposes of the law of England and Wales, a charitable purpose is a purpose which—*

- (a) falls within subsection (2), and*
- (b) is for the public benefit (see section 3).*

The majority of the floor areas of most Church of Scientology premises are taken up by course rooms for the study of Scientology. This could be considered as "**the advancement of religion**" which is purpose (c) of subsection (2).

(2) *A purpose falls within this subsection if it falls within any of the following descriptions of purposes—*

- (a) the prevention or relief of poverty;*
- (b) the advancement of education;*
- (c) **the advancement of religion;***
- (d) the advancement of health or the saving of lives;*
- (e) the advancement of citizenship or community development;*
- (f) the advancement of the arts, culture, heritage or science;*
- (g) the advancement of amateur sport;*
- (h) the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;*

- (i) the advancement of environmental protection or improvement;*
- (j) the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage;*
- (k) the advancement of animal welfare;*
- (l) the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services;*
- (m) any other purposes within subsection (4).*

Referring back the meaning of "charitable purpose", the second condition is that it "**is for the public benefit**" according to section 3 below.

3 The "public benefit" test

(1) This section applies in connection with the requirement in section 2(1)(b) that a purpose falling within section 2(2) must be for the public benefit if it is to be a charitable purpose.

(2) In determining whether that requirement is satisfied in relation to any such purpose, it is not to be presumed that a purpose of a particular description is for the public benefit.

(3) In this Part any reference to the public benefit is a reference to the public benefit as that term is understood for the purposes of the law relating to charities in England and Wales.

(4) Subsection (3) applies subject to subsection (2).

Prior to the Charities Act 2006, the law included a presumption that purposes for the relief of poverty, the advancement of education, or the advancement of religion are for the public benefit. The [Explanatory Notes to Charities Act 2006](#) make it clear that this automatic presumption is abolished for the purposes of "advancement of religion" by expanding on Subsection (2) of Section 3 above.

25. Section 3 deals with public benefit. Under the existing law there is a presumption that purposes for the relief of poverty, the advancement of education, or the advancement of religion - in other words the purposes that would fall under paragraphs (a) to (c) of section 2(2) - are for the public benefit. No other purposes benefit from that presumption. The effect of the presumption at present is that, when the status (charitable or non-charitable) of an organisation established for the relief of poverty, the advancement of education, or the advancement of religion is being considered, the organisation's purpose is presumed to be for the public benefit unless there is evidence that it is not for the public benefit. By contrast, organisations established for all other purposes, which do not benefit from that presumption, have at the time their status is being considered to provide evidence that their purpose is for the public benefit.

*26. Subsection (2) of section 3 **abolishes the presumption** that organisations for the relief of poverty, the advancement of education, or the advancement of religion enjoy , putting all charitable purposes on the*

same footing. Abolishing the presumption will not by itself have the effect of depriving poverty relief, educational and religious organisations that were registered as charities while the presumption existed of their charitable status.

The above is a minor change in the law but it could have an effect on local authorities where they have previously made the presumption that an organisation for the advancement of religion is by definition "for the public benefit" and so granted rates relief without inspection. From 2006 onwards this has to be **established** and not just assumed so local authorities now need to reassess such cases.

The full definition of "for the public benefit" is entrusted to the Charity Commission.

4.4 "For the Public Benefit"

It is the job of the Charity Commission to define what it means for a purpose to be "for the public benefit". They state the "**principles of public benefit**" in section C3 of the [Charity Commission's statutory guidance on public benefit](#).

C3. What are the principles of public benefit?

There are two key principles both of which must be met in order to show that an organisation's aims are for the public benefit. Within each principle there are some important factors that must be considered in all cases. These are:

Principle 1: There must be an identifiable benefit or benefits

Principle 1a It must be clear what the benefits are (see section E2)

Principle 1b The benefits must be related to the aims (see section E3)

Principle 1c Benefits must be balanced against any detriment or harm (see section E4)

Principle 2: Benefit must be to the public, or a section of the public

Principle 2a The beneficiaries must be appropriate to the aims (see section F2)

Principle 2b Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted: (see section F3)

** by geographical or other restrictions (see sections F4 – F9)*
or

**** by ability to pay any fees charged (see section F10)***

Principle 2c People in poverty must not be excluded from the opportunity to benefit (see section F11)

Principle 2d Any private benefits must be incidental (see section F12)

We have seen that the purpose of "advancement of religion" is not enough to assume charitable status and

that it **must be for the public benefit** as well. It is the Charity Commission that defines what this means and in this definition, the activities of the Church of Scientology in the UK present a problem when measured against "for the public benefit".

4.5 The "Public Benefit" of Scientology

4.5.1 Principle 2 - benefit to a section of the public

When measured against the "public benefit", as defined by the Charity Commission, then the Church of Scientology has a few problems meeting these criteria. Looking at **Principle 2b and 2c** then we run into a conflict with the Scientology "**principle of exchange**". This principle is to maintain the balance of giving and receiving. It is described in their "HCO Policy Letters" of 3 Dec 1971 and 10 Sep 1982.

Scientologists aim to progress up what they call "The Bridge to Total Freedom". This involves training and what they call "auditing". This is a costly process for those involved. The cost of auditing have been described in the part about section 47. By the principle of exchange, a person only gets out what they put in. To get to the top of their "Bridge" a person has to pay or work their way to the top as a poorly paid member of staff. People have to pay fees or work for it. Poor people unable to work for the Church of Scientology can never hope to get up the "Bridge to Total Freedom" although they might be given a small amount of introductory auditing. Also, the pricing structure for auditing, as previously described, excludes poor people. So **Principle 2b and 2c are not met**. This principle of exchange also results in a conflict with **Principle 2d**. By getting back what you pay in for Scientology "auditing", the benefits are "**direct**" as opposed to "**incidental**". The Church calls the fees they charged for auditing "**fixed donations**" but it is clear that it is the person paying these "fixed donations" will be the beneficiary. These are more properly described as "**fees**". This is of **direct benefit** and clearly **in breach of Principle 2d**.

4.5.2 Principle 1 - Indentifiable benefit

This is about the **benefits "balanced against any detriment or harm"**. There are hundreds of accounts from ex-members of the Church of Scientology from the whole mix of membership which includes Scientology "public", ex-staff members and ex-Sea Org members (the "Sea Org" is the naval uniform wearing elite corps of the Church of Scientology). Some of those ex-members were born into the religion or brought in as young children. It is left to the reader to research this topic to ascertain **whether the benefits outweigh any detriment or harm**. The author would not like to make a judgment on this but instead would recommend that this be done thoroughly, paying careful attention to arguments from both sides. If you are using the Google search engine then use the word "Scientology" alongside the word of phrase (in quotes) you are searching on. Fruitful forms of the search are suggested below (they are active Google UK search links).

The first search term includes "Volunteer Ministers". These are the church members who supposedly give help to the public in times of disaster. The Church of Scientology is quick to publicize this as an example of the good works done by their Church. However, progress in their religion is measured by progress up their "Bridge to Total Freedom". Any good works done are ancillary to this process.

[Scientology "volunteer ministers"](#)

[Scientology "vulture ministers"](#)

[Scientology "good works"](#)

[Scientology abuses](#)

[Scientology abortions](#)

[Scientology "child labor"](#)

[Scientology RPF](#)

[Scientology disconnection](#)

The Charity Commission [produced a booklet](#) that clearly explains what is required to meet the public benefit test. They also produced a booklet entitled [The Advancement of Religion for the Public Benefit](#).

4.6 COSRECI Claims to be a Charity

COSRECI and no Scientology entity in the UK with the word "Scientology" in the name is registered as a charity with the Charity Commission for England and Wales (although they own and control some UK registered charities such as [Narconon](#) and [Criminon](#)). They have the opportunity to register as a charity. In fact, the **Church of Scientology (England and Wales)** (CoSEW) made an application and their [application was rejected in 1999](#) (the previous link is a summary. The full text of the decision can be [linked to here](#)). The CoSEW was not a functioning entity at that time and had been set up for the purposes of receiving a charitable status. It failed based on an analysis of Scientology in the UK and during that time it was controlled by COSRECI. Therefore COSRECI would have had its application rejected if it applied for charitable registration in the UK for exactly the same reasons it was refused for the CoSEW.

COSRECI can be regarded as the equivalent of the CoSEW. COSRECI is registered in South Australia as a non-profit association but only operates in the UK. The CoSEW would presumably have taken over the functions and the assets of COSRECI if their application had been successful. So the charitable status of COSRECI is on the same level as that of the CoSEW. It **claims** to be a charity but that is not the same thing as being one. It makes this claim in its **unaudited** financial statements it files at Companies House. The following is reproduced from the year ending 2008 unaudited financial statements.

At the top of page 6:

*Church of Scientology
Religious Education College Inc
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2008*

1. *STATUS*

*The Church of Scientology Religious Education College Inc **was incorporated in Australia as a religious charity** on 13 October 1976 and commenced activities in the United Kingdom on 1 May 1977.*

At the top of page 7:

*Church of Scientology
Religious Education College Inc
NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2008*

Taxation

*The Church is a **South Australian charity**, and is established in England for **charitable purposes** only. The trustees consider that corporation tax should not therefore be applicable, however*

corporation tax and deferred tax have been provided for in these financial statements.

You can see from the above two extracts from their financial statements that they are claiming to be a charity that is a South Australian Charity that is **established** in England for charitable purposes. Following the principle applied in **Camille and Henry Dreyfus Foundation Inc v CIR (36 Tax Cases 126)**, tax advantages should only be granted to a charity **established** in the state granting the tax advantages. The word "established" can be interpreted in different ways. Does it just mean "set up"? Certainly, in the Charity Commission's rejection of the application of The Church of Scientology (England and Wales) it states in many places that they fail the test of being "established" for charitable purposes so the same applies to COSRECI. The Charity Commission was perhaps using the legal definition of "established charity" that was set in the above mentioned [Camille and Henry Dreyfus Foundation Inc v CIR](#) case (scroll down). So, accordingly, they are **not established** for charitable purposes in the UK and therefore **not eligible** for tax advantages there. Granting them a business rates rebate is equivalent to giving them a tax advantage and so is contrary to this principle and contrary to established UK law.

There has been a change in law in the [Finance Act 2010](#) that is applicable to tax relief given to charities, although it excludes business rates as it is missing in the list in section 7. But assuming the spirit of this change in the law then tax exemption can be granted to charities **registered** in their home countries although it is unknown whether this applies to Australia. In any case, COSRECI has never been registered as a charity in Australia.

Although they make the **claim** of being a charity in their accounts, COSRECI do not make this claim on their various Church of Scientology websites. Instead they claim to be a "**non-profit association**". This is not the same as a charity. The following is extracted from their web site with URL below (their Company number is **FC009154** and not F9154 as displayed).

http://www.dianeticsbooks.co.uk/trademarks_11.html

*Copyright © 2009 Church of Scientology Religious Education College, Inc, a **non-profit association** incorporated in South Australia. All Rights Reserved. Registered Office: 24-28 Waymouth Street, Adelaide, South Australia. Registered in England under Company No. F9154. Registered Agent in the UK: Peter D. Hodkin, Solicitor, 42-44 Copthorne Road, Felbridge, East Grinstead, West Sussex RH19 2NS.*

Clarification concerning the charitable status of COSRECI was given by the Church of Scientology itself as the result of an Australian TV program called "Today Tonight" that aired on 22 June 2010. You can [read the text of the TV program here](#) and the [Church of Scientology response to this TV program](#).

The Church of Scientology clarified the issue of whether COSRECI was a charity.

*Church of Scientology Religious Education College Inc is an incorporated non-profit association. Whilst it does have charitable purposes as laid out in its Rules of Association, it is **not a registered charity** in South Australia or with the Australia Taxation Office. Any claims to the contrary are incorrect and this can be confirmed by searching on the government website at www.abr.business.gov.au.*

Therefore COSRECI is not a charity. Certainly not a charity in the UK and not one in Australia. This conflicts with their application for mandatory rates relief in the City of London in which they stated they

were a [South Australian Charity](#).

A charity can be given mandatory tax relief even if not registered as a charity provided it is an **exempt** charity under Schedule 2 of the Charities Act 1993. A list of exempt charities is given in [Schedule 2 of the Charities Act 1993](#). COSRECI does not fall into any of these categories.

4.7 Use of Premises for Training and Auditing

Any premises labeled a "Church of Scientology" will mainly be used for auditing and training. They have course rooms, auditing rooms, an office for the Case Supervisor (who decides on auditing actions) and an office for the Director of Processing. They also have a "cramming" room and an "exams" room. Other rooms not directly connected with auditing and training will be an office for the finance staff, the Office of Special Affairs (OSA), one for the Executive Director and perhaps one for the Deputy Executive Director. There will be a "chapel" that usually has a mixed purpose. There will also be a well-equipped empty office set aside for L. Ron Hubbard should he manage to return. It would be surprising if even one of these rooms or any office space whatsoever were set aside for charitable activities in the local community (they do do charitable work but they have separate organisations and premises for this such as [Narconon](#) and [Criminon](#)).

The above description of what goes on in a Church of Scientology comes from the author's own experience. What the Church staff say about the usage of the premises when an application for charitable rates relief is being made might be very different. They may try to give the impression that it is a hive of activity for organising help for the local community. They have a slick PR campaign that tries to give this impression. You can read [an example of their PR material here](#) (scroll down to "Community and Social Betterment Programs"). However, if you read the whole piece, they have stated that "auditing" and training are the two core religious practices of the Scientology religion. It is hard to work out from reading such PR material, what (if any) proportion of the premises is being used for charitable activities and what proportion for auditing and training. To clarify this confusion you have only got to look at their organisational structure that is defined by their "Org Board" (Organisational Board). This describes the function of their Seven Divisions and from this we can work out how the use of the premises is likely split. From the [following link](#) we learn about Division 4 and this clears up the confusion.

Division 4 is the Technical Division, and its staff minister the church's core religious services of auditing and training. It is here where a parishioner participates in the services of the Grade Chart. Since auditing and training are the central activities of every church, this division often contains four to five times more personnel than other divisions. The other divisions of the organization support and facilitate these activities.

Since mandatory (charity) rates relief is granted for premises what are "wholly or mainly used for charitable purposes" as stated in section 43 of the LGFA and since "charitable purpose" is defined in Part 1 of the Charities Act 2006 as having to be "for the public benefit" then the granting of charitable relief will only be justified if auditing and training itself is charitable in nature and for the public benefit because that is the main use of the premises.

The Charity Commission made a judgment on whether auditing and training were charitable in nature. It took them a full three years to draw their conclusions. It was part of their investigation into the application for charitable registration of the Church of Scientology (England and Wales) (CoSEW). They considered the claims that they were a religious organisation (the third head of charity law) or performed activities that were beneficial to the community (the fourth head of charity law) and separately whether public benefit was demonstrated in each case. They based their judgment on the activities of the Church of Scientology in England at that time and at this time is was controlled by COSRECI.

1. The issue before the Commissioners

The Board of Commissioners considered an application by the Church of Scientology (England and Wales) (CoS) for registration as a charity pursuant to section 3(2) of the Charities Act 1993. In reaching their determination of the application the Commissioners considered whether CoS is charitable as being an organisation:

(i) established for the charitable purpose of the advancement of religion and/or

(ii) established for the charitable purpose of the promotion of the moral or spiritual welfare or improvement of the community,

and if in the case of (i) or (ii) above CoS is so established for such a charitable purpose, whether it is established for the public benefit.

The text of the [full decision](#) is long and difficult to read and cites many cases and this may put people off giving it a thorough study. But if the reader applies themselves to this task it is made abundantly clear that for something to be considered a charity then "public benefit" must be evident and it is clear that the Commissioners decided that the core practices of Scientology, in the form of training and auditing, did not confer benefit on the public due to the private nature of the activity and because it was normal to pay for this.

In relation to the test of public benefit for the advancement of religion the Commissioners concluded that

(1) The central “religious” practices of Scientology are conducted in private and not in public.

The “religious practices” of Scientology are auditing and training. Scientologists regard these as worship. Auditing is conducted in private on a one to one basis. It appears akin to a form of counselling and is described by Scientologists as such. Training is essentially a private activity requiring the study of specialist material and access to specialist trainers. Whilst members of the public may sign up for a course of auditing and training, generally upon payment of the appropriate requested donation, these activities are not carried out “in public”. Further, progression beyond introductory or initial levels of auditing and training necessitated membership of the Church.

Attendance at a session of auditing or training by members of the public generally does not appear to be a possibility. The Commissioners found it difficult therefore to see how any edifying and improving effects upon the public generally might flow from the “religious” practices of Scientology.

*In relation to the fourth proposition in **In re Hetherington decd.**, there was no suggestion that auditing and training could be*

carried out in a way that was public rather than private. It did not seem possible to construe auditing and training as religious rites which could be conducted in public rather than in private such as to render them charitable.

(2) Auditing and training are in their nature private rather than public activities

The Commissioners considered that even if a member of the public could attend an auditing and/or training session other than as a participant but rather as an observer, these Scientology services are by their very nature directed to the particular individual receiving them. Auditing appears akin to a form of counselling and is described by Scientologists who receive it as "counselling". It is directed to the private needs of the individual receiving it. The Commissioners found it difficult to see how the public could be edified or otherwise benefited by attending and observing at such a session.

Both the above factors -- that Scientology services are conducted in private, and are in their nature private being directed to the needs of the private individual in receipt of them seemed to the Commissioners to indicate that these actual activities are of a private rather than a public kind. In any event it seemed to the Commissioners that any benefit to the public that may flow from auditing and training is incapable of proof, any edification or improving effect being limited to the private individual engaging in the auditing or training. Accordingly, the Commissioners concluded that these activities conferred no legally recognised benefit on the public.

In addition the Commissioners noted that the apparent dependence of participation in those activities upon payment of the requested donation referred to by CoS strengthened their perception that these activities were of a private rather than a public kind. Whilst CoS states that there are ways in which adherents can and do participate in auditing and training without making any form of monetary contribution, so that a lack of financial means is no bar to a member's progress in Scientology, access to auditing and training through requested donations is the norm. The Commissioners noted that the fact that a practice existed of requesting and making these payments strengthened the Commissioners in their perception that the activities were of a private rather than a public kind.

In ending it was made clear that the CoSEW failed the "public benefit" requirement for both the third and fourth heads of charity.

The Commissioners concluded that it could not be said that CoS had demonstrated that it was established for the public benefit so as to satisfy the legal test of public benefit of a charitable purpose for the advancement of religion or for the moral or spiritual welfare or improvement of the community.

It should be noted that the CoSEW never appealed this decision despite it being easy to do so and even

easier since 2006 when they can apply to the Charity Tribunal.

If you have just read this subsection then you might be wondering how it is possible that any Church of Scientology anywhere in England and Wales could have been granted mandatory rates relief on their premises if what they do there is not for the public benefit. Maybe because local authorities do not enquire as to how the premises will be used. Or perhaps they think that "charitable purposes" means any use a charity cares to make of the premises. If so that would be wrong since "charitable purpose" has a clear meaning in law (Part 1 Charities Act 2006) and has to be "for the public benefit". Maybe there is a real reason they consider it to be for the public benefit but if so then how would they complete the following hypothetical response to an enquiry?

"The local authority also ascertained how the premises would be used and it became known that it would mainly be used for the training and auditing of members of the Church and that this activity was of a private nature, delivered in return for payment. But after receiving legal advice, the local authority came to the conclusion that this activity was of tangible benefit to the public because"

This is still a mystery. Could it be that they are purely relying on the honesty of the applicant?

4.8 An honest charity?

In a typical year, COSRECI reports income in excess of £10,000,000. For the following year ends their income as recorded in their unaudited financial statements submitted to Companies House was as follows:

2008: £12,958,196
2007: £12,971,494
2006: £11,424,607
2005: £10,311,696
2004: £9,822,963
2003: £10,129,646

I think the reader will agree that this is a considerable sum of money. The author finds it strange that with a reported income of more than £10,000,000 per year and owning buildings worth about £20,000,000 they always submit unaudited financial statements to Companies House rather than audited accounts. According to Companies House, they are allowed to do this under Section 700 of the Companies Act 1985 as they are classed as the subsidiary of an Oversea Company (Australian). However, COSRECI does not conduct business in Australia, as a company name search on [this web site](#) will reveal, and does not submit accounts there, although it still exists as a non-profit association which you can [see here](#).

A puzzling thing about the reported income figures is that the growth in income from year to year is regular. The popularity of Scientology in the UK ebbs and flows but this is not reflected in the figures. In the late 1980's, Scientology churches were packed with paying customers. In 2008 their courserooms were nearly empty. A steady growth in income from year to year is not credible. The 2008 figure should not have exceeded £3,000,000 based on past trends.

There is a possibility (in the absence of any audited accounts) that these unaudited financial statements are a fabrication and that money is moved to the US parent operation without any accountability. Here is a quote from a former FBO (Flag Banking Officer - a Church of Scientology staff member) who prefers to remain anonymous.

The Church of Scientology has registered the name, "Church of Scientology Religious Education College Incorporated". This is a South Australian registered association (Registration Number A5172), which I believe has a registered office in the Church of Scientology of Adelaide at 18 Waymouth St, Adelaide, SA 5000.

*Overseas corporate accounts were set up with the National Westminster Bank in the UK. The accounts were/are called Church of Scientology Religious Education College Incorporated AOSHUK Finance Office No 1 Account, Church of Scientology Religious Education College Incorporated AOSHUK Finance Office Account No 2. As far as I can determine, the funds in those two accounts were dispersed to other overseas corporate accounts with the National Westminster Bank called the Church of Scientology Religious Education College Incorporated Main Accounts, Church of Scientology Religious Education College Incorporated Reserve Accounts, Church of Scientology Religious Education College Incorporated HCO Accounts of the various scientology organisations in the UK, however, **most of the money was remitted to the US**. None of the funds were remitted to Australia, whatsoever, and no tax was paid in Australia. It should also be noted that I suspect that the use of the name "Church of Scientology Religious Education College Incorporated" was chosen because it would have led the UK bank, the National Westminster Bank to consider it a genuine corporation rather than a registered association, and so bound by corporate law rather than having few, if any, rules. So as a result the bank would assume that income tax would be paid in Australia, which of course, it wasn't.*

As I understand it, the system was set up in the early '70s, by Herbert G. Parkhouse who was the Deputy Guardian for Finance in the Guardian Office World Wide, and this was not only prior to the scientology corporation being granted tax exemption in Australia in 1983, but it was probably before the Whitlam Labor government recognized the Church of the New Faith, as the scientology corporation was then known in Australia, as a religious organization and could provide a marriage service in 1973.

It should also be noted that Church of Scientology Religious Education College Incorporated was never registered as a charity nor did it apply for such.

Not only is this tax evasion, but also it is money laundering.

COSRECI does not have an obligation to register as a charity with the Charity Commission if it is a foreign charity (this is disputed) but at the same time, nobody has an obligation to treat them as a charity in England and Wales since they do not meet the definition of a charity in English law in that it "falls to be subject to the control of the High Court in the exercise of its jurisdiction with respect to charities". They should not be given **mandatory** rates relief because it is not "mandatory" to grant it to a foreign charity that is not truly "established" as a charity in the UK, as was made clear in the Charity Commission decision (although they could still be given "discretionary" rates relief for different reasons).

COSRECI would gain much greater public trust if they were registered as a charity with the Charity Commission for England and Wales. Instead, they avoid this and use legal pressure to get proxy charitable status from local governing bodies (the City of London and perhaps others -- see later examples) rather than use the same legal resources to gain charitable status with the Charity Commission. There are good reasons why they use this approach. They would probably never get charitable status

from the Charity Commission due to the 1999 decision that their core practices of auditing and training (in return for money) are not of public benefit and they know that local authorities will have to cave in if it came to expensive litigation because the cost of this has to be borne by the domestic rate payers should the local authority lose, whereas if they win, apart from their costs being recovered, then all the money has to be given to central government. Granting mandatory rates relief costs a local authority nothing and is the easy option (we will see this at work in the case of the City of London). Perhaps another reason COSRECI uses this approach is that if it became a UK registered charity then they would be [held accountable as a charity](#) and have to submit independently audited accounts. This is something they might prefer not to do otherwise difficult questions might be asked. For example, in 1987, [\\$87,160,000 flowed into their accounts but was never reported](#) in any of their unaudited financial statements for that or subsequent years.

In closing, local authorities are asked to consider whether they feel qualified to grant charitable status to an organisation surrounded by controversy with a reported annual turnover in excess of £10,000,000 whilst knowing that the Charity Commission, with far more expertise and legal resources than themselves, refused them charitable status, albeit under a different legal entity. For charities with such a high turnover and able to afford legal resources then would it not make more sense to insist that the charity go through the normal processes to sort out all confusion with and become registered with the Charity Commission before taking the decision to donate large sums of public money to aid their cause?

5. How Local Authorities Get it Wrong

5.1 Summary of How Local Authorities Get it Wrong

Local authorities have discretion to grant relief from domestic rates under section 13A of the Local Government Finance Act (as inserted by Section 76 of the Local Government Act 2003). But for non-domestic (business) rates they are granted no such powers and instead have a statutory duty to collect business rates on behalf of the government. So if a local authority fails to collect business rates where they should have done then this will be a failure to follow the law, and therefore an error, rather than it being a case of making a poor decision. We will see, in the following examples, that the nature of this error does not spring from a misunderstanding of their statutory duties but rather due to an elementary misunderstanding of Charity Law.

The public can find out their reasons for granting mandatory rates relief by making Freedom of Information (FOI) requests. If enough of these are made then this will eventually reveal the reasons why they granted mandatory rates relief and in this we will spot the elementary error(s) they have made. But there is a game here. The game is that where a local authority has done something they would rather not be held accountable for then they will be "economical with the truth" and tell very little. Though, to be fair, this is sometimes due to legitimate financial concerns. Sometimes, it does not pay to be truthful because of the way the law is structured.

The following subsections are examples of where local authorities have granted mandatory rates relief and will be added to when we have more information from local authorities about the reasons why they granted rates relief. The format of the following examples will be to provide a link to the FOI request that revealed their reasons, to show those reasons and to explain the elementary mistake(s) they made.

If the reader has read the whole of this document up to this point and understood it then you have done some serious study work so this is the chance to have some fun by turning this into a game. The object of the game is to work out the elementary mistake(s) in Charity Law made by the local authorities before reading the explanation given. Score one point for each correct conclusion you come to before you read the answer. Score four points to be adjudged an "expert".

5.2 How the City of London Got it Wrong

To give a bit of background, the City of London had refused charitable (mandatory) rates relief twice on the huge premises at 146 Queen Victoria Street that used to be owned by BP, before seemingly caving in to a bunch of Scientology-hired lawyers. This was the highest profile granting of rates relief in the UK due to the huge sum involved.

The reason for granting rates relief was revealed through the persistence of [this FOI request](#).

*Following the application for mandatory rate relief in April 2005, entitlement to the relief was granted on 19 October 2006. It was granted following a meeting on 30 August 2006 between legal representatives of the Church of Scientology and the City of London ("the CoL") to discuss the Church's appeal following two refusals by the CoL of mandatory rate relief. In deciding, after all, to grant the relief, reliance was placed inter alia on an earlier decision of the European Court of Human Rights concerning a **challenge by the Church of Scientology against Sweden** , which the Church of Scientology drew to the attention of the CoL. Following consideration of this decision as to the Court treating the Church and its members as having religious rights and taking all factors into account, in particular commentary contained in explanatory notes in the [Employment Equality \(Religion or Belief\) Regulations 2003](#) published by the DTI, the matter was reconsidered, and it was decided that the statutory criteria set out in the **Local Government Act 1988** were met such that the Church qualified for mandatory relief.*

It is not clear from the above response what "a challenge by the Church of Scientology against Sweden" is referring to but the Church of Scientology gained religious recognition in Sweden in recent years.

The reference to the "Employment Equality (Religion or Belief) Regulations 2003" is confusing as "employment" is not at issue here. When it refers to "commentary contained in explanatory notes" then it is perhaps referring to [Part 1, General, Section 3](#). Perhaps this was being used as a substitute for the [Equality Act 2006](#) which might not have been published in time.

With regard to the "Local Government Act 1988" then it is safe to assume the "Local Government **Finance** Act 1988" is being referred to (the conditions for granting mandatory or discretionary rate relief) which has already been extensively covered in this document and not the [Local Government Act 1988](#) which is to do with competitive tendering.

And here we come to the point that sometimes local authorities are being **economical with the truth** when giving answers to FOI requests. They are still complying with the law but succeed in giving an entirely different impression in their answer. Fortunately, the law is on the side of those making FOI requests, so the following [internal memo from the City of London Corporation Finance Committee](#) contents was revealed and the response of the members was to recommend that the Church of Scientology continue to receive mandatory rates relief (search on "[resolved](#)").

The elementary error(s): If you have read the above reason then it is clear that the City of London in their decision gave no consideration whatsoever to the idea of "public benefit". They were just influenced by whether or not Scientology could be a valid "religion" and were very much afraid of litigation. Such an approach is not in accordance with the law therefore their decision was unlawful. Did you get that one? A point if you did.

Status: Still benefiting from your taxes.

5.3 How the City of Westminster Got it Wrong

To give a bit of background, the City of Westminster was the first local authority to ever reward charitable status to the CoS in the form of charitable (mandatory) rates relief. It preceded the City of London application and was used as part of their argument for eligibility. This particular premises is named the **Church of Scientology Celebrity Centre London**.

The reason for granting rates relief was revealed through the persistence of [this FOI request](#).

As previously explained, the City Council has not retained the paperwork in relation to the Mandatory Application. However I can advise you that the applicant provided a list of work relating to the Beneficial to the Community criteria.

Whilst I do not currently have access to the full list of activities, I can recall that a significant element of the work was related to their drugs related projects.

This is an easy one, although you still get a full point if you get it right. But note there is an **extra point** to be gained here and the clue has already been given.

The elementary error(s): In this case, the local authority is happy that the organisation is charitable, basing their judgment on promotional material alone (which is laughable considering the applicant). They have decided to grant mandatory relief without ascertaining what the premises will be used for. Maybe they think it is for drug related projects but this work is done by [Narconon](#) on separate premises. The premises will, of course, mainly be used for auditing and training which has previously been judged to not be of public benefit. If you worked that out before you read it then you scored a point. But what about the extra point? You gain that if you realised that since this is a "Celebrity Centre" then because of its title alone it could not possibly be for the public benefit, since the ordinary public would not be admitted, so its name alone disqualifies it from receiving mandatory rates relief. Did you get that one?

Status: Still benefiting from your taxes.

5.4 How the City of Sunderland Got it Wrong

To give a bit of background, the City of Sunderland was the first local authority to grant a 100% rates rebate to a Church of Scientology. This consists of the 80% mandatory (charitable) relief plus an extra 20% discretionary top-up relief. Of this extra 20%, 75% has to be funded out of local government. This can take the form of increased domestic rates for the residents of the borough and/or cuts in local services.

The reason for granting rates relief was revealed through the persistence of..... (still waiting on multiple possible sources for this).

TBA

The elementary error(s): All Churches of Scientology premises (including "Celebrity Centres") are

used mainly for auditing and training and this is not of public benefit due to its private nature and that it is normal to pay for this (as was made clear in the Charity Commission decision of 1999). So the local authority has not considered the "public benefit" of the use of the premises. One easy point if you got that one. There may be more points to be had once we get the reasons for their decision.

Status: Still benefiting from your taxes and the domestic ratepayers of Sunderland.

6. Recommendation

Local Authorities should take great care when evaluating requests for rates relief from Scientology related entities and correctly apply all the conditions set out in legislation.

Local Authorities declining continued rates relief where it had previously been granted should consider whether it be appropriate to recover previous relief if it had been granted based on misrepresentation by the claimant.

Notes:

The author of this document is an ex-Scientologist who was a member of the Church of Scientology for five years and so is aware of the practices and beliefs of the Church of Scientology as well as their pricing structure.

The author has no legal qualifications. Whatever is written about legal matters or points of law in this document will need to be appraised by those qualified to do so and not on its own used as guidance.

All information presented represents the understanding of the author as correct at the time of publication. The highlighting of any quoted text within this document has mostly been done by the author for clarification purposes.

The author hopes that the above information will be a useful source for local authorities in the UK in helping them decide whether Church of Scientology entities should be given relief from business rates if they request it or reapply for it.

If any billing authority reading this finds any inaccuracies or needs further clarification on some issues then the author can be contacted using the email address in the Copyright notice below.

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