



Cheap Shots

How the bird shooting industry deprives the public purse

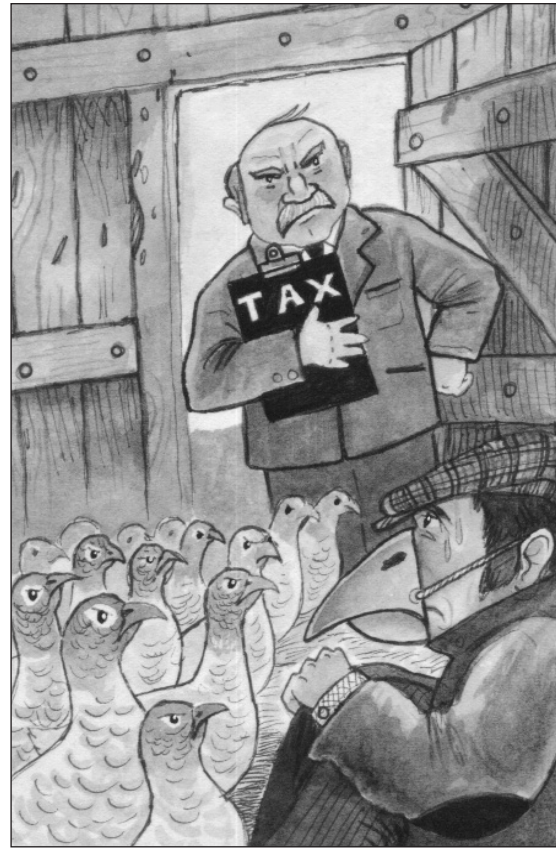
EXECUTIVE SUMMARY

The latest in a line of industry-financed studies into the economic impact of 'sport shooting' in the UK is likely to be published in time for the Country Land and Business Association Game Fair at Broadlands in Hampshire on 28 July 2006. The Public and Corporate Economic Consultants (PACEC) report 'into the impact of sporting shooting to the UK economy and the wider benefits of the industry' has much in common with its predecessors in that, under the cloak of some degree of independence, its findings are certain to be wholly biased in favour of shooting.

What it won't reveal is the level of public subsidy and tax avoidance that contributes to the game industry's profits. In fact, while the industry trumpets its contribution to the rural economy, HM Revenue and Customs is undertaking an investigation of shooting's widespread tax irregularities. Its initiative comes after Animal Aid provided the agency with a detailed dossier on how shooting businesses dodge paying business rates and VAT.

While just a tiny proportion of shoot-related income is derived from the sale of shot birds, the game industry, nonetheless, gains from tax concessions and subsidies granted only to agriculture and food production.

Of course, nobody can dispute that the shooting industry is lucrative for those involved - so much so that there are now six major organisations defending it: Countryside Alliance, Game Conservancy



Trust, British Association for Shooting and Conservation, Country Land and Business Association, Game Farmers' Association and National Gamekeepers' Organisation. Campaigning in favour of the cruelty of game shooting has itself become big business. According to the pro-bloodsports magazine, *The Field*, the combined turnover of these organisations is in excess of £23 million per annum.¹ Forty per cent of the Game Conservancy's income is derived from government and public sector funding.²

1. TALKING UP THE PROFITS

The Public and Corporate Economic Consultants (PACEC) study

PACEC is a Cambridge based economic consultancy firm. It was used by the Countryside Alliance in the months running up to the passage of the Hunting Bill through parliament and issued a report that forecast significant job losses in the event of a hunting ban. This conclusion flew in the face of all disinterested opinion. For example:

'No wonder that five years ago the Burns Report [a government-instigated report on hunting] looked at

hunting, and concluded that in the big picture, the economic effects of a ban would not be substantial. The bulk of jobs in rural areas are not in hunting, they are actually in services - just like everywhere else.'

Evan Davis, BBC Economics Editor, February 2005

Unsurprisingly, the BBC and Lord Burns have proved more accurate than PACEC. Nonetheless, its findings obviously pleased the Countryside Alliance (CA) sufficiently for it to have thrown more 'research' in PACEC's direction. In the last quarter of 2005, the CA joined forces with fellow bloodsports enthusiasts the British Association for Shooting and Conservation



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and the Country Land and Business Association to fund jointly the new shooting study. The CA was unabashed in announcing the purpose of the allegedly independent survey. According to a September 2005 statement on its website, the project 'will be vital in our ongoing campaign to promote and protect shooting'. The results, therefore, will inevitably aim to give a glowingly positive picture of the advantages of country bloodsports for the British economy. The CA was equally unambiguous about the objectives of a smaller independent survey carried out on its behalf in the North East of England. It was, according to a December 2005 posting on its website, 'to enhance the game meat industry in the North East'.

It can be confidently predicted that a central weakness of the new PACEC study will be its failure to separate properly the different shooting disciplines. In other words, profits from uncontentious activities such as clay shooting, target rifle or pistol shooting will be insufficiently differentiated in order to hype up the 'importance' of bird killing.

What is the true worth of game shooting?

It is impossible for any single agency to come up with an accurate assessment as to the worth of game shooting because the industry is largely unregulated and unmonitored. The welfare laws governing the production of cattle, sheep, chickens and other farmed animals do not apply to pheasants and partridges. DEFRA has, therefore, not troubled itself - until recently - to collect statistics on the number of birds bred, and still has no data on those released, shot, 'recovered' or exported. Equally, the Office of National Statistics keeps no record of the number of game birds consumed. The recent bird flu crisis has pushed the government towards the beginning of a modest audit. This takes the form of the new 'poultry register' - a database that includes all holdings with gamebirds.

Because of the lack of reliable hard data, the industry has been able to indulge in self-serving guesses and plain invention - the objective being to impress government with its alleged value to the economy so as to avoid any political pressure on animal welfare grounds. While £1 billion is the turnover figure commonly quoted these days by shooting representatives, only five years ago the British Association for Shooting and Conservation was claiming 'just' £623 million. (*Shooting Times*, 27 Sept, 2001).



The determination and guile exercised by pro-shooting interests in their quest for flattering financial data is exemplified by the saga surrounding a Welsh shooting industry survey. In 2005, the Welsh Development Agency (WDA) announced that a new study would investigate the value of game shooting to the Welsh economy. The project immediately became publicly contentious after Animal Aid revealed that the WDA - an unaccountable qango that has since been abolished by the Welsh Assembly Government - had given the survey contract to the University of Aberystwyth. From there it was sub-contracted to a small Cardiff public affairs consultancy whose owner and director, Mark Hinge, is the recent former Political Director of the avowedly pro-shooting Countryside Alliance in Wales.³

After the expected publication date passed, Animal Aid pressed for an answer as to when the results would be made public. A spokesman for the Welsh Assembly Government finally declared in July that the survey would not be published after all and that - despite earlier public statements to the contrary - the research was always intended only for 'internal use'.

Now we await the PACEC study.

As we have seen, the latest annual turnover figure being offered up by the industry for shooting's contribution to the economy is in excess of £1 billion. Carefully concealed, however, are the ways in which industry practitioners are depriving the economy of tax revenue by exploiting a combination of legal loopholes and lack of regulation.

2. A TAXING PROBLEM

Avoiding rates

Under UK law, agricultural land and buildings are not assessed for business rates. Many shooting estates have sought to benefit from this controversial concession to farmers, even though their businesses are not primarily concerned with food production. Industry spokespeople freely admit that only 30%-40% of shot birds are 'recovered', but many of these do not enter the food chain either. Some shot birds, according to pro-shooting magazines, are buried in specially dug pits. (*Country Life*, February 1, 2001)

The vast majority of profits come not from the sale of the shot birds but from people who pay for the privilege of killing them. The truth of this statement is demonstrated by recent surveys of shooting operators conducted by the CA and by the BASC and reported in the July 6, 2006 issue of *Shooting Times*. The best price obtained for shot pheasants by shoots selling directly to retail outlets was £1.60, while dealers were offering shoots just half that amount to take the killed birds. The equivalent prices for partridges were just £1.54 and 54 pence respectively. Contrast these amounts with the costs of rearing one pheasant (industry estimates range from £12.50 to £25) and it becomes indisputably obvious that 'game shooting' is a leisure activity and not a method of food production. Those who



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convert land for game rearing or shooting should attract the same valuation for business rates as would a big dipper ride at Alton Towers.

Animal Aid first brought this anomaly to the attention of the Valuation Office Agency (a branch of HM Revenue and Customs) in 2000, reporting the largest game farm in Britain and scores of others. This will lead to millions of pounds worth of business rates being reported for the public good. Animal Aid's role in awakening the Treasury's interest was acknowledged in a Parliamentary Answer by Dawn Primarolo, the Minister responsible for the Valuation Office.⁴

At the time, the Minister believed there were 400 game farms in the United Kingdom with only 85 registered on the business rates valuation lists for 2002. But progress in putting things right has been slow. By July 2005, a total of 128 game farms, of which 120 were in England and eight in Wales, had been registered for business rates.⁵

So why have Dawn Primarolo and the Valuation Office Agency (VOA) dragged their heels on game industry valuations? The VOA claims that it is responsible only for maintaining the lists; not for providing the information. Local authorities have a responsibility only to pass on information when it comes their way. It appears that game farm and shooting ground owners have no responsibility to report themselves for valuation.

Since Business Rates can be back-dated only to the preceding April, this laissez faire approach encourages long-term avoidance and contrasts sharply with the uncompromising tax system imposed on the majority of the population.

Avoiding VAT

VAT rules on animals and food are complex and illogical.

VAT is not applied when farmers sell their food products. In addition, farmers can claim back any VAT they have incurred (known as 'input' VAT) when purchasing the goods and services needed to produce the food. However, the rules aimed at exempting food from VAT also apply, absurdly, to the sale of a rabbit from a pet shop. This is because any animal, fish or bird that is 'commonly eaten' in Britain is not subject to VAT, regardless of the actual purpose for which they are sold.

The shooting industry takes advantage of this gaping loophole by insisting that pheasants and partridges are 'commonly eaten'...even though the only reason they are bred is to be shot for 'sport'.

Irrespective of this anomaly, the selling of shooting rights – an important financial transaction for a landowner – is subject to income tax and VAT. The problem is that the confused rules give great scope for avoidance. Unlike business rates, any financial dealings are a private matter between individuals and HM Revenue and Customs, so it is impossible

to assess figures that are not in the public domain. Nonetheless, the scope for VAT evasion is considerable, as indicated by a letter sent in April 2006 to members of the shooting community by HM Revenue and Customs. It warns shooters that 'tax irregularities are occurring across the country' and announces a significant investigation into the various ways in which the shooting industry seeks to act improperly. The HM Revenue's concerns not only closely mirror those that have been raised by Animal Aid for some years, its decision to act against shooting industry fraud follows detailed correspondence and a lengthy meeting between HM Revenue officials and Animal Aid.

Six ways for the shooting industry to avoid VAT

The numbered malpractices are quoted directly from HM Revenue and Customs' April 2006 letter to shooters. Animal Aid's explanations are added below.

1. *'Commercial shooting has been variously mis-described as private shooting, non-profit making club activity or the supply of zero-rated birds.'*

Commercial shooting is for profit and subject to taxation, while with private shooting the costs are borne by members of a syndicate on a private and individual basis and are not taxable.

2. *'Exchanging supplies of VATable shooting for zero-rated or other supplies by way of barter, with neither transaction recorded in business records.'*

This occurs, for instance, when a farmer contracts to have shooting access roads created but pays with bartered goods or granting shooting rights in return.

The farmer is producing a product – food – that does not carry VAT, and claims back all VAT paid out when purchasing items (e.g. nails, wire, fencing) needed to produce the food. If another farmer who specialises in operating a digger comes and cuts new shooting access roads for the first farmer, he should charge VAT on his fee. But what might happen is that **Farmer A** promises a share of the shooting profits in return for the roads. No cash changes hands and so the public purse does not profit from the value added to the land for a non-agricultural purpose. This is why the barter economy is illegal: it is impossible to tax. If **Farmer B** cut the roads and charged **Farmer A** 17.5% VAT, **Farmer A** would not be able to claim back that VAT because shooting is not agriculture. He can only claim back VAT in the production of food.

3. *'Failure to register for VAT'*

All businesses with a turnover exceeding £61,000 must register for VAT. Since game shooting typically costs £1000 per person per day, there are few commercial shoots that fall beneath this threshold.



4. 'Artificial separation of business activities to stay below VAT registration limits'

A shoot operator might separate shooting from accommodation and entertainment. By keeping both accounts below the VAT threshold of £61,000, he does not need to register either business for VAT. He can sell his shooting cheaper (less 17.5%) but should not be able to claim back input VAT. However, if he is also a farmer, he might pass his input expenses through his agricultural accounts and get the VAT back on money spent on materials such as fencing that he has purchased for a non-agricultural purpose.

5. 'Under recording of sales values'

In addition to under recording the shooting sold, there is an unaccounted by-product. At most, only 40 per cent of released game is ever recovered by shooting. Since the cost of producing the game may already have been covered in the cost of the shooting, the undisclosed recovered game is a windfall that can be sold on the black market.

6. 'VAT and income tax irregularities on claims for private expenditure'

This might occur when a farmer owns a shoot and has his friends around in a syndicate to enjoy the shooting. He passes the expense of running the shoot through his agricultural books. This has the effect of artificially reducing his farm profits and reduces his liability for income tax. The input VAT he has paid on shooting supplies is also recovered against his agricultural business. He and his friends get free shooting.

The farmer might even sell the shooting to a group of friends. He would then be running a separate shooting business with no overheads, no taxation and no accountability.

As well as taking unfair advantage of the above opportunities, shooting industry practitioners are also grabbing taxpayer-funded land subsidies.

Farming land is often turned over completely to shooting. Cover crops and release enclosures are introduced and roads are built for shooters to gain access. But the land itself is still registered as agricultural. This means that, in addition to avoiding valuation for rates, the land may attract agricultural subsidy under the CAP and the recently introduced single farm payment scheme. One of Britain's foremost land owners and shooters, the Duke of Westminster, received £799,000 of taxpayers' funds during the period 2003-2005.⁶

As noted previously, the pro-shooting Game Conservancy Trust attracts 40 per cent of its income from government and public sector funding.⁷



3. WHAT IS THE GOVERNMENT DOING ABOUT IT?

Due in no small measure to Animal Aid's previous reports, HM Revenue and Customs is at last taking a robust stance with VAT and income tax evasion in the shooting industry. In the previously mentioned April 2006 letter to members of the Country Land and Business Association, Brian Spooner of HM Revenue and Customs warned the membership that, to deal with the irregularities that had been identified, the Revenue would be enforcing the law and making unheralded visits.⁸

This more critical approach from the Treasury contrasts markedly with the hand-in-glove approach of DEFRA. No doubt keen to reassure the country sports lobby after the passing of the Hunting Act, the government has been almost sycophantic in its support. Jim Knight, until recently the Rural Affairs Minister in DEFRA, was linked with the industry's own favoured estimate that it was worth £1 billion per annum.⁹ As guest speaker at a British Association for Shooting and Conservation event in July 2005, Mr. Knight told his audience:

'The Labour manifesto commitment on shooting is a commitment that the sport will flourish. The Government recognises its role and that of game shooting in particular, to the rural economy and values its contribution to environmental protection and land management.'

In television interviews on the same day Mr. Knight said, *'we are absolutely pro-shooting'*.

He was probably unaware that, even while he was speaking, HM Revenue and Customs were investigating tax evasion and avoidance for his colleagues in the Treasury.

References

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