

Osborne Clarke  
One London Wall  
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19 August 2022

Sent by email: [REDACTED]

Dear Sirs

1. I write in response to your letter of 19 July 2022. There are two further developments: first, it appears a key statement of fact in your letter was false; second, your client refuses to respond to questions about his tax affairs.

**The false statement of fact**

2. The central mystery remains that Balshore Investments acquired 42.5% shareholding in YouGov when it was founded in 2000, with Mr Zahawi – one of the two founders – holding no shares at all. I described as a “lie” Mr Zahawi’s initial justification that this was because Balshore had provided startup capital. You took issue with this, and paragraph 2.3 of your letter says that Balshore contributed £7,000 of capital.
3. The idea that £7,000 was “startup capital” (when another founding shareholder provided £287,500) was never very credible. However, I now understand that the claim Balshore provided £7,000 of capital in 2000 is entirely false.
4. I have been informed by a source who worked at YouGov that Balshore did not contribute £7,000 in May 2000 for its initial 42.5% shareholding. It is correct £7,215 that was paid (by each of Balshore and Stephan Shakespeare), but this was for additional shares on or around October 2002, with with the Companies House form for the share allotment back-dated to 6 May 2000. I have reviewed the Companies House filings, annual returns and accounts of YouGov from 2000 to 2002, and they are all consistent with this.
5. I am confident you were not aware that you were making a false statement of fact, and I would therefore like to give you the opportunity to correct the record.

**The outstanding questions**

6. Mr Zahawi and his spokespeople are refusing to respond to the numerous outstanding questions concerning Mr Zahawi’s tax affairs. Four are particularly serious:

- (a) Mr Zahawi has denied (to the Guardian and in an interview with Sky News) that he has ever benefited from an offshore trust structures. But we know this is false: in 2005, a dividend payable from YouGov to Balshore was diverted to Mr Zahawi – in economic and legal terms this was a gift by an offshore trust to Mr Zahawi, made indirectly via Balshore. Was this a deliberate deception on Mr Zahawi’s part? If not, how would you characterise it?
  - (b) A UK resident UK domiciled individual receiving a gift from a trust is subject to UK income tax or capital gains tax on that gift. Did Mr Zahawi declare the 2005 gift, and any other gifts/loans, to HMRC? I infer from the surrounding circumstances that he may not have done, because a well-advised person would not have arranged a gift in this way. The fact of the gift therefore suggests that Mr Zahawi was not well-advised, and may not have been aware that it was taxable.
  - (c) Mr Zahawi acquired Oakland Stables in Warwickshire in 2011 with a secured loan from Berkford Investments Limited (Berkford), which I believe to be owned by the same trust as Balshore. Mr Zahawi has said the loan is on commercial terms. As Berkford is a Gibraltarian company, Mr Zahawi should have paid 20% “withholding tax” to HMRC on all his interest payments over the last eleven years. Did he? I again infer from the surrounding circumstances that he may not have done, because the existence of the withholding tax means that well-advised people do not borrow from Gibraltarian companies. The fact of the loan therefore suggests that Mr Zahawi was not well-advised, and may not have been aware of the withholding tax.
  - (d) What other gifts and/or loans did Mr Zahawi receive from Balshore, Berkford and/or the trust? This is a simple question, but a critical one, because it goes to the overall tax effect of the Balshore structure.
7. Your letter suggested I direct my questions to Mr Zahawi’s press office. However, the press office has ignored others posing these questions, and refused to speak to me (or even acknowledge my messages).
8. If you are able to provide substantive answers, then I will gladly give them full and fair consideration. Otherwise, I will draw the obvious conclusion: that Mr Zahawi is declining to respond because the real explanation would embarrass him, for example because it would demonstrate that he has acted improperly and/or unlawfully failed to pay tax. There may of course be other conclusions, but when he or those representing him fail to respond coherently or at all to these questions, it is hard to avoid this kind of speculation, and I (and I suspect may others) will conclude that he has something to hide.
9. If Mr Zahawi was a private citizen then he would be entitled to keep his tax affairs to himself. But he is not: he is the Chancellor of the Exchequer, and there is a clear public interest in knowing whether he has given false statements about his tax affairs and unlawfully failed to pay tax. If he has, he will inevitably become the subject of an HMRC investigation, and it is hard to imagine a worse conflict of interest than the Chancellor being investigated by tax inspectors

whose conduct he can influence. It is also hard to imagine anything more likely to damage public faith in the tax system.

10. I would be grateful for a response by the end of August. Kindly respond by email to [REDACTED] (please do not send me documents by post; I am away for the summer).

11. I am committed to transparency, and so I intend to publish this letter, and all further correspondence.

Yours faithfully



**Dan Neidle**