

HCO POLICY LETTER OF 25 JUNE 1967

All Executives of  
all orgs  
All Accountants  
LRH Finance Comm  
OT Central Committee  
Guardian WW  
Treasurer WW

SCIENTOLOGY ORGS  
TAX AND BALANCE SHEETS

There is a confusion on the subject of tax and balance sheets as they involve or concern monies owed on balance sheets. Extra-ordinary solutions are being advanced and the matter should be reviewed.

There are certain principles involved here which vitally affect Scientology companies as companies and indeed are basic in any business.

- (1) If you acquire the profit of an asset without paying for it, all monies received become a false profit and taxable.
- (2) If you invoice money as your own that is in fact owed to someone else you wind up with a false profit and get taxed for it.
- (3) There are certain principles of business having to do with income and debts which cannot be thrown aside even by a tax department.
- (4) The moment you vary from the exact truth of any transaction you involve yourself in potential confusion that requires extra-ordinary solutions.
- (5) When you find yourself being asked for extra-ordinary solutions you have departed from the truth of the transaction.

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As tax departments have never to my knowledge accepted without question the year's return or balance sheet of any corporation, efforts to get such departments to accept a return or balance sheet by putting in wild solutions avail nothing. The tax people aren't going to accept anything at all anyway even without challenge. If you are challenged, you better have the REAL facts right there. This doesn't mean one should tell them all the truth in a geyser and gush. The real stable datum in handling tax people is NEVER VOLUNTEER ANY INFORMATION. It does mean one must not tell them or give them false data. It only means that when you give them data you can't back up or report profit you didn't make you will get into severe trouble.

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The basic errors of Scientology corporations in accounting and tax matters lie in (1) to (5) above.

Under (1), all existing companies have acquired assets from me without paying for them and therefore show a false profit.

They sell books they do not own the copyrights for, acquire technology they never paid for and, in the case of Saint Hill, acquired a business worth upwards of two million pounds and an estate worth £80,000 without ever showing any debt. So the profits then look very large in any Scientology company. And this involves them with tax.

Because the government accuses them of paying me (which they don't), they think it must be a crime to pay me anything and so are pushed into a profit situation because they have never paid for their main assets. Of course, a tax department wants to see them with a big profit which can be taxed and so blocks the truthful fact that the companies owe me money.

Recently a law in England, passed by the boiler-makers playing politician, threatened to call any company a Close Company which owed any money to an individual and put Close Company tax at 67%. Well, the loophole is that if they don't owe it to an individual they'd pay tax anyway at high percent. And if they did owe it they'd have no profit. And 67% of nothing is exactly nothing. So using the Close Company law to say I can't be owed anything is just bad thinking. And it leaves SH with £2m of "profit" that CAN be taxed which it doesn't really own as profit at all.

Under (2) above, whenever you invoice money as your own income that is owed to somebody else you wind up with a false profit on which you will then have to pay tax you don't owe.

Let us take an Advanced Clinical Course I have given. I paid my fare, often the bulk of expenses and took no fee. The ACC was invoiced in as org income. Yet it wasn't. It was my income. Yet the org not only invoiced it in, it didn't even note on its balance sheets it owed it to me and so wound up with a taxable profit.

Take the book "Dianetics, Modern Science of Mental Health" as a property. I bought it back from the publishers in New York for \$15,000 of my cash. I turned it over to the Distribution Center Inc in DC which then sold tons of copies of it, invoiced each one as its own income and never paid me any royalty at all. Further, it never noted on its balance sheets it owed me for it and soon had US Tax bills against it for its "profit".

In addition to all that, DC, London and notably Saint Hill have taken over bank accounts of mine, have invoiced royalties owed to me only for movies and books, even my veteran's checks and yet never noted in any balance sheet or return that it owed it. So it wound up with a taxable sum.

Of course the government tax offices will say not to put down your debts as then they have a profit to tax!

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Under (3) governments can pass all the legislation they want, but certain business actions remain themselves. One buys, one sells, one collects, one owes. The government would like to upset all this but truth is no government really can, not even in Russia, as they are flying in the teeth of the fundamentals of commercial interchange.

If one acquires a \$10 dress for nothing one now has \$10 worth more than one had before. If one paid \$10 out and took a \$10 dress in the books balance. A thief must be in continual trouble in economics and with tax agencies as he acquired without spending which leaves him heavily assetted without debt and so taxable to the hilt.

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Under (4) above, the moment you depart from the truth of records with explanations or gimmicks, you cannot substantiate your statements. The records no longer line up.

So you have to destroy the accounts system or muck it up so it can't be read and promptly you are in real trouble.

You can assign new values to some data, you can honestly reassess the meaning of your figures (such as advanced payments are not income) but note you are going in the direction of more truth.

The truth of Scientology orgs is that I built them with my own money (which they didn't record) and made them affluent where they are without pay. I gave them technology they did not finance, books on which they pay no royalty and cash they forgot to mark down.

The result is that they show a profit which does not exist in fact as the where-withal by which the money was made was not ever reimbursed.

Not only were assets acquired which had not been paid for, but additional monies were invoiced they did not have coming. The result is an apparent profit and, of course, trouble with the tax people.

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Under (5) when you depart from facts and basic planning you then have to have very extra-ordinary solutions. And when you seem to have to have extra-ordinary solutions you have departed from basics and facts.

Right now there is a lot of tax yap. And it is being set up to clobber Scientology with huge tax bills in England and the U. S.

This isn't because people are mad at Scientology. It's because Scientology orgs have given themselves a huge swollen profit by not keeping good records and by not letting the real debts be debts.

Every SP on the lines is of course frantic at the thought of Ron getting hold of any money. What will Ron do with it? More research, more orgs, ~~more~~ Scn, more freedom.

The record clearly states this is the case. When I draw \$10,000 as a repayment of debt which it was, I promptly expand Scn to make it another \$100,000. So it goes. Sometimes, in development, some money gets "wasted". But it always comes back 10 for 1 in the long run.

So of course an SP tries anything or says anything to prevent my getting hold of any more money than I have. And all sorts of weird "laws" and opinions are dug up to show that I can't be paid.

The last phoney was that if money owed me was shown on current balance sheets then All Past Years of All Orgs would have to be redone. Not so. It's up to the government to demand that and in that case it would all be corrected anyway so it's no argument and wouldn't even happen. In past orgs, I had control. I no longer have it. So it's natural that the investment had to be added up and paid back.

A debt is a debt. Newly discovered debts are common in any accounting system.

So what does one do? Report it all as profit and get taxed out of existence? And help it happen by telling a lie - that it owes me no money?

As for the sale of SH to C of S of Calif, the tax on any sum paid is on me not the org. So it is not the org's business. It IS the org's business to be sitting there with the full income of several million all invoiced as profit. That is the road to ruin taxwise.

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There are a lot of people around who "know best". This "best" usually winds us up in the soup.

MY orders on this stand and are not open to opinion. And these orders are:

- (1) Record in balance sheets as owed proper payment for any property or business acquired from me.
- (2) Record all sums invoiced into an org that were really mine as still owed to me.
- (3) Carry on with standard income-outgo recordings and business procedures regardless of "law".
- (4) Tell and record the exact truth of all transactions past and present.
- (5) Put into effect the basic solutions I have written out in full for the handling of monies and debts.

Don't be dismayed because somebody in a "panic" says one must do something odd to "stay within the law". They probably don't realize how lawful our conduct of business really is.

And Scientology orgs if they record their debts owed for assets and their incorrect invoicing of my money as their own and report what is really owed on their balance sheets, will come out straight on tax.

The governments are in the business of falsifying other people's records so as to collect more tax. If you report a bad debt they say it's a good debt. If you report a debt you owe, they say it isn't a debt. They can be counted on absolutely to assign a significance to figures to increase tax. But even the craziest pervert in the tax office CAN'T argue down actual records so your only defense is actual records.

When YOU fall for the gag that YOU must falsify your records to "satisfy" some "law" or some cookey official you are just playing into their hands.

Further, some accountants paint black pictures of the government to cow their clients and ask them to falsify records by omitting actual facts or demanding weird solutions. The thing to do is stick with the truth and the real invoices doggedly.

Now as to TAX, why this is mainly anybody's game of what is a PROFIT. The thing to do is to assign a significance to the figures before the government can. The whole thing is a mess only because arithmetic figures are symbols open to ANY significance. So I normally think of a better significance than the government can. I always put enough errors on a return to satisfy their blooksucking appetite and STILL come out zero.

The game of accounting is just a game of assigning significances to figures. The man with the most imagination wins. BUT there must be correct figures and there must not

be gross misassignment of debts as profits or the whole thing won't hang together.

Income tax is a suppressive effort to crush individuals and businesses and deprive the state of national gross product (since none can expand). The thing which baffles any suppressive is truth. It's the only thing that works. Significances one assigns figures are neither true nor false but always must be reasonable and defendable. And the figures themselves must always check out.

Income does not mean profit. One can and should make all the INCOME one possibly can. Always. The only crime really is to be broke. But when one makes INCOME be sure it is accounted for as to its source and that one covers it with expenses and debts. Handling taxation is as simple as that.

Scientology income is high in most orgs. But it IS high due to the investment of time and money in earlier years. So if the balance sheets omit all the money that was invested and show only the money that was made, they are false balance sheets. And that is what the government wants us to turn in - a false balance sheet that shows all income as profit, with no repayment or retirement of debt.

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Yesterday's unreported debts became invested money for expansion. The debts of 1950 have not been lost at all where they remain unpaid, but show up as DEVELOPED business.

When the debt was not paid, that sum was used to expand. So the debt is still there and today's 'profit' in no small way can be traced to the orgs not having to pay. Instead the money was used to develop the org and area. The income from that development is still there. Thus the debt must be there, must be shown on the balance sheets and books, or it will involve the org eventually in tax trouble.

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