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The UK/Swiss tax deal - what the experts said

29 August 2011 by Simon Danaher

Last week the UK and Switzerland finally agreed a deal which will see Britons pay tax on assets held in the secretive European country. This is what the industry experts thought...

Simon Airey director of national tax investigations at DLA Piper said:

“This is a ground breaking achievement for the Swiss and UK authorities. It will strengthen Switzerland's standing as an international financial centre and effectively signals the demise of banking secrecy as a means of concealing tax evasion.

A lot of the finer details of the deal are not yet known but if it is ratified into Swiss law, its terms will undoubtedly be attractive to those who are prepared to pay a premium to maintain their anonymity.

For those who wish to make a clean break of things, the Liechtenstein Disclosure Facility ("LDF") is likely to remain the most cost effective way of permanently regularising their affairs. People using the LDF typically pay between 10% and 20% of the undeclared overseas assets depending on their circumstances. On the face of it, this is less than the Swiss deal but not everyone will be eligible and it is important for people to take advice in relation to their individual situation.

The arrangements are not likely to come into force until May 2013 so those with undeclared assets in Switzerland need to consider their position in the meantime. Both the LDF and the Swiss deal will not be available to those who are investigated by HMRC in the interim.

Under the terms of the deal, it is important to note that HMRC will obtain certain information about the destination of assets that are transferred out of Switzerland so closing accounts in order to avoid the levy is not a risk free option.”

Glen Millar head of Kinetic Partners’ Swiss operations said:

“The news that the UK and Switzerland have reached a landmark deal that will see unpaid UK taxes from Swiss offshore accounts returned to the Treasury, will leave Swiss private banks and others with an operational headache.

“We are working with private banks and others in Switzerland to ensure they explain the implication to their clients, establish processes and procedures for identifying and calculating the correct amounts and make the payment of taxes to the UK on a timely basis. Swiss based private banks will also need to plan for the impact of this agreement and consider how it will affect business strategy in the future.”

Gary Ashford, who represents the Chartered Institute of Taxation on the Compliance Reform Forum, said:

“Rightly, the net is tightening on those who think they can keep money in offshore bank accounts out of sight of the taxman.

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“It is important to realise that innocent taxpayers who have always properly reported their Swiss income are at risk here. They will need to make a further disclosure to avoid the deduction from their account balance in 2013.

“The rate of withholding tax being charged is high. There is clearly a risk that account holders will move their money to even more distant and inaccessible locations, which is in neither government’s interests. Swiss banks and HMRC alike will be hoping this has all been pitched at the right level.”

Derek Levy, tax partner at UHY Hacker Young said:

“We would be very doubtful that either the Swiss banks or the Swiss tax authorities will be able to identify all those that are subject to UK tax on their overseas assets in order to apply the withholding tax correctly.”

“Even if HMRC does have suspicions about an individual, as well as the limit in the number of disclosure requests that can be made, it may also prove difficult to trace the assets of tax evaders who are the ultimate beneficiaries of corporate or trust accounts, but not named as the account holder.”

“It is also unclear exactly how the information disclosure arrangements will apply to those who have residences in several countries but should be liable to tax under UK law.”

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