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British amnesty for offshore accounts

Thousands of British investors with secret offshore accounts are likely to be offered a form of amnesty, under proposals being drawn up by tax authorities.

The British government is considering following the lead of several other countries, including Ireland, Italy and South Africa, in offering incentives to encourage investors to make voluntary disclosures about their unpaid tax.

The package of incentives, which is likely to cap penalties at 10% of the tax due, would be designed to encourage individuals to disclose their secret offshore holdings, in centres such as Switzerland and the Channel Islands, which have been estimated to run into hundreds of billions of euros.

The government is likely to avoid the term amnesty, as it will reserve the right to prosecute in the most serious cases. Moreover, investors will face significant financial costs even if they take advantage of the reduced penalties, which can normally be as high as 100% of the tax due. The Revenue & Customs is not expected to offer any concessions on the interest costs, which can double the tax bill if it goes back 20 years to collect taxes due.

The move by the British government, which has not yet been agreed by ministers, would be timed to accompany a batch of legal notices the tax authorities plan to send to banks in Britain with overseas branches over the next three months. These orders are designed to force banks to divulge information on clients with overseas accounts.

The authorities want banks to write to customers urging them to make a voluntary disclosure, citing the relatively lenient approach being offered under the partial amnesty, while telling them it has been forced to divulge information about their accounts.

A wide range of people is likely to be caught up in this crackdown. Holders of overseas accounts are thought to include people with overseas holiday homes, and those earning money in the black economy or overseas, as well as criminals involved in money laundering and other illicit activities.

Failure to make a full disclosure in the course of a previous tax investigation would disqualify individuals from the amnesty.