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Governments Around The Globe Are Collaborating To Tackle Tax Evasion By Putting Pressure On Tax Havens

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Tax evasion is going to get increasingly difficult as countries around the globe are working with each other to claw back billions in lost tax revenues.

The agreement between Britain and Switzerland and earlier between the Swiss authorities and Germany prove that trend. Any efforts to move money from one tax haven to another would become more and more difficult.

It is likely that banks will be required to report such a transfer to the tax authorities under an inter country tax agreement.

With just a few days to go before the United States Internal Revenue Service cracks down on undeclared offshore tax accounts HMRC have said that the new tax will be levied from May 2013 on Swiss accounts, which were opened before 2010.

And the tax rates the UK government have set up for undeclared bank accounts in Switzerland, the Treasury hopes would act as a deterent to wealthy individuals and companies from hiding money in offshore havens.

"From May 2013 a charge of up to 34% will be levied on the value of assets in Swiss bank accounts to cover all undeclared historic tax liabilities," Leo Joyce from London chartered accountants Blick Rothenberg said. "A withholding tax on future profits will also be introduced – 48% on income and 27% on gains. The agreement relates only to Swiss based assets; unlike the Liechtenstein Disclosure Facility (LDF), which provides an opportunity to bring worldwide assets in under the Disclosure. In certain cases it would be beneficial to remove assets from Switzerland and declare under the LDF."

Under the LDF the taxpayer is assured of immunity from criminal prosecution. There are fixed penalties, at a low rate and - the carrot - profits realised before 6/4/99 are entirely forgiven. There is also immunity from the historic inheritance tax and value added charges, which may not be the case under the Swiss agreement.

Joyce added: “ The Swiss charge on historic liabilities relates only to assets located in Switzerland in accounts which were opened before 2010; unlike the Liechtenstein agreement [LDF] which provides an opportunity to bring world wide assets in under the disclosure. In certain cases it would be beneficial to remove the assets from Switzerland and declare under the LDF.

UK tax payers with undeclared assets in Switzerland and elsewhere would need to see advice on the best method of making a declaration to HMRC. With more countries now wishing to ensure that tax is paid as it should be, UK tax payers with undeclared income/gains should seek advice ASAP.”

Peter Janssen, Chairman of BKR International's EMEA region, said "Governments and banks of tax havens are under an increasing pressure to unveil details of people who try to hide their income and savings from tax authorities. It will soon become virtually impossible to hide money away into offshore bank accounts. This will finally result in greater tax compliance throughout the world."

"It is obvious that many tax authorities across the globe have reached an alliance to go after people who have been moving money around the globe in an effort to defraud governments but very shortly there will be no place to hide," said Howard Rosen, Chairman of the Americas region of BKR and managing partner of BKR member firm Conner Ash P.C. in St. Louis, “ Governments are encouraged to act by the success of previous tax disclosure agreements.”

Howard Rosen added: " The IRS in particular is going to crack down hard on
those who have not declared income and where their money is by the end of this month. US Citizens need to think very

hard about any monies that they have stashed away and which they have not paid tax on. The IRS is currently investigating banks in Switzerland, the Caribbean and other areas around the world with a view to getting reports on the financial transactions of US taxpayers."

Those that don't meet the IRS deadline of August 31st could have up to 50% of the money in any accounts seized, face fines of up to $100,000 or even a jail sentence.

HSBC bank has recently alerted its clients, with a US tax exposure, having accounts in India, to consult a tax advisor after it received a summons from the IRS seeking account holders names.

In an effort to stop people moving monies from one country to another a variety of different tools are being used by governments to stop the movement and to catch those that are defrauding their countries.

Germany has just come to an arrangement with Switzerland where the treatment of funds, which have been held for a number of years, will be subject to a one-off payment of between 19% and 34% of the funds in question. On current profits, the client must either allow their Swiss bank to disclose all profits on their accounts to the German tax authorities or they must pay a fixed and automatic withholding tax on these profits.

Stephen Roger of BKR International Sydney's independent member firm, Walker Wayland, said that for the last 7 years the Australian Taxation Office (ATO)has been actively pursuing offshore transactions through their "Operation Wickenby Project". The net cast by this project has involved the ATO and the Australian Crime Commission instigating investigations and subsequent prosecutions against not only the average citizen but against many high profile Australians who either live in Australia or reside overseas. So far 24 persons have had criminal proceedings instigated, 16 people have been jailed, $A1.064 billion liabilities have been raised of which $A553.64million has been collected in back taxes. Roger said that this project has netted the revenue substantial income and made all Australian taxpayers aware of their income tax obligations. The Australian Government has been working with many " tax haven jurisdictions", banking and other finance organisations to ensure that the worldwide income of all Australian resident taxpayers is declared.

While some say the project has cost too much Roger said that now compliance is on most Australian taxpayers lips and people are aware that "Big Brother is watching" and the authorities have the resources to detect incorrect declarations.

As far as US tax payers are concerned they have the opportunity of entering into the IRS voluntary disclosure programme but they only have a few days left to make the declaration and if the don't they could lose a lot of money.

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