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BKR issues warning over government tax agreements

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Tax havens around the world are coming under increasing attack with governments putting enormous pressure on banks in those countries to come clean about what funds they hold and who they belong to.

BKR International said as governments around the world were talking to each to claw back billions in lost tax revenues, people intent on moving monies from one tax haven to another would have increasing difficulties.

This follows Britain and Switzerland reaching an agreement over proposals to tax money held by British citizens in undeclared bank accounts.

BKR International warned it was likely that banks will be required to report a transfer to the tax authorities under an inter-country tax agreement.

Swiss banks will alert Britain if they discover any customers trying to move their money to other tax havens to avoid being caught, claimed the worldwide association of independent accounting firms

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

HMRC said a tax rate on between 19-34 per cent will be levied on the value of the assets in the Swiss bank account of UK citizens.

The Swiss accounts will be subject to a withholding tax on future income and gains - 48 per cent on income/40 per cent on dividends and 27 per cent on capital gains and gains on non-distributor status assets will be liable at 48 per cent.

However, the Swiss government has ensured that the banking secrecy will continue as the tax will be collected by the Swiss banks and passed to HMRC. However, BKR International warned the agreement will provide HMRC with limited powers to pursue up to 500 specific tax payers with Swiss Bank accounts "although HMRC's investigators will not be allowed to conduct fishing expeditions".

Leo Joyce from London chartered accountants Blick Rothenberg, part of BKR International, claimed the UK/Swiss deal only relates to Swiss-based assets, unlike the Liechtenstein Disclosure Facility (LDF), which provides an opportunity to bring worldwide assets in under the Disclosure.

He said: "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.

"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 as soon as possible."

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