

Financial Times

Amnesty on secret accounts disappoints

By Vanessa Houlder

Just over 400 investors owned up to secret bank accounts in Liechtenstein in the six months to March, in what advisers said was a disappointing start to an ambitious amnesty targeting money hidden in the world's most secure tax havens.

But more disclosures are expected in the next few weeks, after thousands of investors receive letters from banks in the alpine principality asking them for proof they have paid their taxes.

Under the ground-breaking deal struck between Liechtenstein and Revenue & Customs a year ago, banks are required to close their clients' accounts if they refuse to come forward or prove they have nothing to declare. In return, clients making voluntary disclosures are offered lenient terms.

The agreement, forged in the wake of an evasion scandal and an international crackdown on tax havens, is forecast to bring £1bn into the exchequer.

Phil Berwick, director of tax investigations at McGrigors, a law firm, said the "poor response" to the Liechtenstein disclosure facility reflected a lack of awareness of its existence, along with "an atmosphere of rumour and misunderstanding" that inhibited some advisers from recommending it.

Stephen Camm of PwC, the professional services firm, said the small number of disclosures was surprising given the initiative's very attractive terms. However, he expected a "size-able" level of interest once the banks and trust companies wrote to their clients.

The deal is designed to draw in investors from other offshore jurisdictions who become eligible if they transfer some of their money to Liechtenstein. Investors end up paying a fraction, often just a fifth, of the tax, penalties and interest they would owe if they were uncovered in an investigation. They also escape being "named and shamed" or prosecuted for tax offences.

The Revenue is increasingly prepared to offer favourable terms for specific groups of suspected tax dodgers as an incentive to persuade them to come forward voluntarily ahead of launching costly investigations.

Recent initiatives are set to claw in £82m from offshore investors and £9m from medical professionals. It said it was pleased by "a very encouraging start" to the five-year long Liechtenstein disclosure facility, particularly as it was ahead of the banks' obligation to notify their clients.

Concerns about the slow start of the Liechtenstein amnesty were also brushed aside by Philip Marcovici, a director of Kaiser Ritter Partner, a Liechtenstein trust and private banking group, who helped negotiate the disclosure facility. He said: "I am very encouraged by the numbers."

He said half the people using the facility were believed to be new clients for Liechtenstein banks, in a vindication of the principality's strategy of using it to attract more business.