

Plugging loopholes in the EU Savings Tax Directive

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As ever, accountants are seeking to exploit any loophole they can find in taxation law and regulations.

One of the more recent wheezes is to invest offshore in accounts compliant with Islamic Sharia law. Under this law interest cannot be paid, but it's not uncommon for bankers to now offer 'profit sharing' opportunities to Islamic clients which just happen to pay a return exactly equivalent to current interest rates.

The issue that's being exploited in this? Well, the EU Savings Tax Directive applies to interest but not to profit sharing, so if profit sharing is offered disclosure of income earned does not have to take place to domestic tax authorities and nor is there a tax deduction on the payment being made from a tax haven. Such accounts are not restricted to Moslems and it seems possible they are now being marketed for tax evasion (there being no other reason to seek non-declaration).

I have a very strong suspicion that this use is not consistent with the Islamic faith.