

An offshore amnesty?

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[Reports of a tax amnesty](#) for those who have been hiding cash in off-shore accounts are sweeping the UK's accounting press. Reports suggest that the penalties during the amnesty may be as low as 10% of the tax evaded. The tax itself, plus interest on it, will also be due.

I have two problems with this. The first is that I do not like tax amnesties. The law is there to be complied with; not to be waived at will. The problem with having an amnesty is that people then expect another, and so evade in the meantime. There are suggestions that this is the pattern in the periodic amnesties that seem to punctuate Italy's difficult taxation history. Being pragmatic though, I'd like to get the money offshore back into the UK, with tax paid. So I accept a short amnesty period (a matter of months, with settlement of all liabilities when declaration is made being a condition of participation) might be acceptable if it was understood that this would not recur.

But then there's the second problem. Evasion justifies high tax penalties. Errors justify 10%, even if innocent. Negligence 25% - 30%. Evasion clocks in at 50% plus in a normal investigation. So why offer very low rates of penalty in an amnesty? 30% would be a saving, and most people know that the Revenue are going to find them in due course. In which case the carrot has to be simple. Take the amnesty. Pay in full in one go. Or face 100% penalties if you do not declare now, with no negotiation available. That's still an incentive.

Incidentally, if the Age's report of their being £180 billion offshore is right (and I suspect it is low) then the expected tax yield (assuming 5 years offshore) at 5% would be £45 billion of income to be taxed at 40% (most likely), or £18 billion of tax plus interest on this at an average of, say, 20%, or another £3.6 billion, and then penalties at 30% of £5.4 billion. That's at least £27 billion. Which helps fill any Chancellor's 'black hole'. You can see why Gordon might want to get in now. He won't want the Tories to get this pot of gold.