

What is offshore?

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It's always pleasant to find people agreeing with you. The FT's editorial today says:

At the very least, it is time to rethink what we mean by "offshore": size and proximity to the coastline do not seem to make much sense. A new definition would include anywhere that makes it easy for foreigners to reduce their tax bill. Great Britain, however, seems to fulfil either definition: it offers generous perks to non-domiciled foreigners, and it is an island.

Need I say more?

Well, actually I do. The report to which the FT editorial refers is from the [International Trade and Investment Organisation](#), which I usually consider a straightforward front for some of the world's undesirable places (just look at the [membership list](#) and note it includes places some very dodgy places, like Vanuatu). But on this occasion they have made a valid point and I'm going to agree with them.

It's not OK that the UK allows bearer shares to be issued which means no-one can prove the ownership of a UK company.

It's not OK that large numbers of US states require no proof of ownership of the corporations they register.

It's not OK that major players in international finance like Hong Kong and Singapore restrict exchanging tax information to domestic interests and Switzerland restricts it to cases of tax fraud and the like when better is expected of minor tax havens.

And frankly I can't argue with Malcolm Couch, head of tax in the Isle of Man (with whom I may differ on many things, despite which we maintain cordial mutual regard) when he says:

"Large countries should stop stigmatising small and developing ones. There is no factual basis for that approach. Instead, we should all continue to work on a cooperative and fair basis and to participate in the OECD's Global Tax Forum to help each other

tackle criminal and terrorist financing and tax evasion.

"The first outcome should be that small countries are fully involved in the creation of new international standards, rather than have these imposed on them by multilateral bodies that large countries control, such as the OECD and the Financial Action Task Force.

"Small countries also need to be given access to the international network of double taxation treaties. OECD members should offer us more than 'tax information exchange agreements' without mutual benefits."

He's right on this occasion.

But he would not be right if what he wanted was the rest of the world to descend to the lowest common denominator. The UK has to stop being a tax haven. So does the US, and Switzerland. Basic things like putting details of the ownership of companies on public record, barring nominees, and requiring the accounts of all incorporated entities to be available in full for open inspection are basic requirement so of transparency and accountability if the world financial system is not to fail under the burden of abuse that it currently allows. The Isle of Man falls far short in this respect. It does not really have much to shout about, in truth.

So, I agree with the FT and the ITIO. The FT has indicated it thinks the bar should be raised. But does the ITIO agree? That's what I want to know, because right now the countries it represents are riddled with corruption. It's going to take quite a lot for us to believe they've really changed their spots and aren't just issuing this as a spoiling tactic to let them continue with their own wholly unacceptable activities. But if they lead the way, I'm happy to support them.