

Time for a 'passport tax'?

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As readers of this blog will know [I have for some time](#) proposed a 'passport tax'. As I have said previously:

The principle is simple: if you have the passport you pay tax on your worldwide income unless tax resident in a state with a full double tax agreement with the UK (which is why we should give them sparingly) .

To give up the passport you would have to break all ties with the UK — including any right to return. OK, European cooperation would be needed on that, but I don't see it as being hard to secure.

I note that this weekend the [Telegraph suggested](#):

A new 'citizenship tax' for all British passport holders — including expatriates — could help a hung Parliament ease ballooning budget deficits without hurting most voters, accountants claim.

They say Britain may follow the American Internal Revenue Service example and require every citizen to file tax returns regardless of their country of residence.

Following [the] inconclusive general election result, this option could appeal to a coalition government desperate to balance the books. It would raise substantial extra revenue without costing existing taxpayers a single penny more.

However, expatriates who currently pay little or no tax to HM Revenue & Customs (HMRC) could soon find that retaining their passport would cost much more than its current £77.50 issue price. Now that nearly one in 10 British citizens lives overseas — that's a total of 5.5m expatriates — the new levy could be worth billions.

As they add:

Funnily enough, the first man to tell me that Britain might follow the American example of a citizen tax hastily emphasised that his name must not be linked to it. Without

wishing to compromise his confidentiality, it's fair to say his international private bank earns part of its profits by advising wealthy globe-trotters on how to avoid tax.

I have a strong suspicion I know who that person is. I also know that if I'm right he's very familiar with my thinking and is no doubt reiterating it.

He's also in that case right to know that it would raise a significant sum — we both have good reason for thinking it would. Which, rather perversely is why it has not happened, yet.

Might it? Some suggested not. For example:

Richard Mannion of accountants [Smith & Williamson](#) said: "Clearly the government is going to need to find extra taxes in the foreseeable future — so nothing is off limits. This system seems to work well for the USA and is regarded by Americans as the price to be paid for the green card.

"However in view of the lack of experienced staff in HMRC I do have real doubts about their ability to police any new system like this."

Others sought to express similar doubt. They're wrong to do so. This could work very well.

First, note no one living in Europe would be subject to it. I suspect that would have to go without saying.

Second, I think there would be a "white list" of states to which it would not apply. Like the US and other major states such as Japan, Australia, Canada and so on where the tax system is considered robust, information exchange is good and double tax treaties work.

Thirdly I'd propose it applied to no one earning less than the income tax higher rate tax band — so taking all working voluntarily overseas, for aid agencies and the like right out of the charge. This replicates a US provision.

After that you're left with the cases you want to tackle: those living in states with no tax agreement with the UK, with UK citizenship and wanting to retain it and with substantial potential tax being avoided by their residence abroad — probably in a tax haven.

Yes they'll squeal and the Crown Dependencies will say this is unjust as they're not UK citizens — which I'd agree for those with genuine claim to be local (which is rigorously defined, remember in the case of Jersey and Guernsey at least). But the reality is that this will massively clamp down on tax abusers.

And who better to pick up the pain right now.

My 'colleague' who might have been talking to the Telegraph has a conscience I think. My guess is that's why he's been talking. He knows that this is just. Precisely because it could bring in billions now that we need them at no cost to the honest people of the UK.

Bring it on, as I think some say.