The UK Switzerland tax agreement - a grubby little arra...

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As the Telegraph reported on Sunday:

The European country is known for its banking secrecy and the Treasury estimates tens of thousands of British people have stored £125bn in its institutions without paying UK tax.

Any deal is likely to include a withholding tax, taken by the bank on dividend and interest payments, and a levy on previously untaxed income.

The difficulty of this for the UK is threefold.

First, this deal allows Swiss banking secrecy to continue. That means the abuse will go on, and on, and on. Indeed, it will now have official sanction. In this circumstances to call this a grubby little arrangement to generate a bit cash is being over kind to it. Candidly, it's the sort of deal no self respecting government and no self respecting tax official should be seen to have gone near.

Second, only the UK and Germany are doing this. So they break ranks in Europe and undermine attempts to firstly reform the European Union Savings Tax Directive and second to create universal automatic information exchange - which is the only way to ensure we really crack tax havens.

More important though, if the European Union Savings Tax Directive is reformed as planned - and I sincerely hope it is, then this is a serious error of judgement. Let Mark Morris, the guru of all things to do with the European Union Savings Tax Directive explain:

The tax agreement will be a catastrophic failure because of the revised EU level legislation, which takes primacy over the bilateral agreements:

* *The amended EU savings tax will remove responsibility for applying the tax from the*

Swiss banks and assign it to entities and legal arrangements outside of Switzerland. Therefore the Swiss will not collect a fraction of taxes promised.

* *In addition Swiss banking secrecy is compromised by the new external Paying Agents Upon Receipt* reporting obligations.

* Furthermore, the UK and Germany cannot grant market access to Swiss banks without EU approval.

* The Rubik proposal is fraught with *loopholes*.

Therefore the Swiss will not collect a fraction of the forecast fiscal revenues, Swiss banking secrecy is not guaranteed and Swiss banks won't get access to treaty partner markets. It doesn't make sense why any party would continue the tax agreement.

Click on the report to read why the agreement will fail...

I think Mark is right, for all the technical reasons noted and precisely because this new deal will nbot collect the tax the Swiss claim.

I am well aware this blog is read in the Treasury. Can I urge they exercise a little caution before putting ink to paper by reading Mark's report? It may be a very good deal if they did so. Much better than the one on offer from the Swiss.