

Germany has set back the fight against tax evasion - an...

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David McNair of Christian Aid [has an article under the first part of the above title in the Guardian today](#).

David is right to draw attention to the toxic nature of a new deal between Germany and Switzerland - but the UK is also set to sign such a deal very soon.

I wrote about this in May, saying the following, and nothing has changed since:

The FT [reported today](#) that the UK is to shortly sign a new tax deal with Switzerland. As it said:

Britons with billions of pounds hidden in Switzerland will pay tax at 50 per cent under a groundbreaking deal that will legitimise their undeclared assets, according to a source familiar with negotiations between the Swiss and British governments.

The agreement, which is expected to be announced this month, marks a shift in emphasis in the international crackdown on tax havens. Over the past two years, the focus has been on lifting bank secrecy and exposing evaders.

Under the deal, £3bn is expected to be raised over the course of this parliament and investors will also pay a one-off retrospective levy in recognition of past unpaid tax.

I've been talking to some people about this. I think that the FT has got this story very wrong.

First, if a 50% tax rate is applied anyone who is not a 50% taxpayer in the UK will either a) tax their move out of Switzerland and suffer the lower withholding rate of 35% available in places like Jersey or b) give up secrecy and declare their tax personally in the UK and so save money. Either way the Swiss lose out and their banking secrecy is compromised so there's no way they'll agree a 50% withholding rate.

Alternatively, I gather the Swiss think that withholding rates applicable in the UK should be used and argue that whatever this rate is that should settle the full tax bill due on

the Swiss source income so that they do not have to tell the UK's HMRC who was paid and the recipients need not declare the income on their tax returns so that their right to Swiss banking secrecy is not compromised.

But that would mean the UK would have to agree that the de facto top rate of tax on investment income would now be 20% or every higher rate taxpayer would win by closing their UK deposit accounts and shifting them to Switzerland — after which HMRC would be entirely dependent on the goodwill and probity of the Swiss for returning any tax that might be due — with all the accounts in question being off limits for any UK tax investigation for evermore henceforth.

Now, as [I said of this deal when it was first announced](#) last October:

In a quite astonishing move it seems that the UK has today announced it is to give up British tax sovereignty and has granted power to determine UK taxes to Switzerland instead.

As I explained then:

In other words ... the UK has ... done the following:

- 1) Granted Switzerland the right to set the effective higher rate of tax on investment income in the UK;*
- 2) Granted Swiss banks an everlasting competitive advantage over UK banks — because it will pay all higher rate tax payers to bank in Switzerland henceforth;*
- 3) Denied the UK tax authority the right to make enquiries of their own choosing about the tax affairs of a British person — the Swiss now being granted the right to decide how many enquiries may be made and whether they are appropriate or not.*
- 4) Granted criminal immunity to Swiss bankers who sell tax evasion — so allowing them to commit ongoing crime in the UK.*

In the process the UK is:

- a) Promoting tax evasion by its citizens*
- b) Promoting Geneva and Zurich over London*
- c) Abandoning its right to tax*
- d) Abandoning its rights to enforce its laws*
- e) Alienating the OECD*
- f) Abandoning the fights against tax havens.*

That's not melodramatic: that's what's this announcement implies.

I stand by that. If we sign this deal and the tax withholding rate is anything below 40% the UK has ceded its right to tax its subjects to the Swiss.

I think some Tories will be annoyed about that.

The rest of us should be livid.

And those responsible need to be held to account.

This is George Osborne's brave new world of tax - helping the tax evaders' evade.

Brilliant, isn't it?

That's feral leadership for you.