

We can crack tax havens open now

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A couple of days ago [I highlighted](#) a report [from Cayman](#) about a meeting of offshore lawyers where it seemed there was widespread agreement that the system of tax information exchange agreements that the OECD, UK government and tax haven authorities say delivers secrecy in the murky world of secrecy jurisdictions really does not such thing.

The Telegraph has [picked this issue up today](#), reporting:

A recent meeting between trust experts from Guernsey, the UK, Cayman Islands, Switzerland and the Bahamas, made clear that while the controversial Tax Information Exchange Agreement or "TIEA" appeared "fearsome", there were still ways that professionals could protect beneficiary confidentiality because of the hoops tax authorities needed to go through to extract information.

The meeting, reported by the Cayman News Service, debated the issue of confidentiality and whether trust clients' privacy could continue at a time when governments appeared to be focusing more and more disclosure.

And they note me saying:

Tax expert and campaigner for an end to the TIEA [arrangement], Richard Murphy, said that this proved the futility of the TIEA. It is ... the difficulty in identifying suspects due to the complex nature of trusts, that has long been the reason why the TIEA should go in favour of an automatic exchange of information on demand, he argued.

"TIEAs don't work. Everyone knows it. As things stand, client funds can be moved out of a jurisdiction before an enquiry can develop, thwarting it before it really gets

underway," Murphy said.

"In order to make a successful TIEA request you need to correctly identify the individual, which is made virtually impossible by a combination of legal entities and professional services designed to ensure he or she remains anonymous. There is, for example, no public documentation relating to trusts", he added.

"It is exceptionally difficult to link bank accounts operated by a company in turn controlled by a trust with a particular taxpayer in another jurisdiction who may or may not be settler and or beneficiary of that arrangement."

Instead, he suggested a process by which offshore providers must notify UK tax authorities once a year of the interest UK taxpayers have in their financial structures.

"This would be enough to provide the 'smoking gun' and allow the tax authorities to carry out their investigations," he said.

I have [explained a simple and effective alternative tax information exchange arrangement, here](#). As I say in that report:

Countries do not need to know the precise details of interest, profits, gains or other income accruing to offshore structures created by, owned by, or which benefit people resident within their jurisdictions to enable them to make an effective enquiry under a tax information exchange agreement. They simply need to know:

1. *That such a structure exists (a bank account qualifying by itself as a structure for this purpose);*
2. *What each component (trust, company, or foundation) is called;*
3. *Who manages it;*
4. *Where it banks;*
5. *Who in their jurisdiction benefits from it.*

If this data were available it is likely that almost every country in the world could and would substantially increase the number of tax information exchange requests that they might make using the proposed network of Tax Information Exchange Agreements. What is therefore required is that this information, which the regulatory authorities of every single jurisdiction subject to IMF /FATF regulation must have available to it, be automatically exchanged with the jurisdictions in which the beneficiaries of those structures are located; that location to be identified by both the place of main residence of a beneficiary and by the country which issues them with their passport (with those places issue passports of dubious repute to be specifically blacklisted for anti-money-laundering identification purposes).

If this data were to be automatically exchanged then no further information on income need be exchanged, at least in the early stages of any information exchange process. That is because sufficient data to firstly disincentive use of such arrangements and secondly to allow information exchange requests to be made would exist. Pragmatically, that is most of what is desired of the automatic information exchange process. This does, however, have the benefit of massively reducing the risks inherent in automatic data exchange by removing entirely from that process, at least in its initial stages, any reference to specific income details.

The point I make is important: with this simple form of disclosure first of all tax information exchange agreements make sense because the smoking gun needed to make them work exists. Second, this form of exchange is simple because income data is not exchanged. Third, simple disclosure of the existence of an arrangement will in most cases be enough to ensure its disclosure to domestic tax authorities, which is, after all, the aim. Perfection is not possible in any scheme, but a high degree of compliance is.

We have effective non-compliance now, deliberately promoted by the offshore finance industry. It is that abuse we have to shatter. What I propose could do that, simply, effectively and at low costs since all the required data should be available already. Now, why would anyone but an offshore lawyer, banker or accountant object? If they do they must be doing something criminal. And in that case we should be ignoring them. So it's time for action, now.