

The days of the UK's tax havens are numbered - the Tre...

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The following [article has just been published on the website of International Tax Review](#). The implication is unambiguous as far as I see it. Using the precedent of the USA's [Foreign Account Tax Compliance Act](#) the UK is giving its own tax havens an ultimatum. I gather it's a not too subtle one either. It's either they give the UK the same data that they want to give the USA or the UK won't pass their laws to let data flow to the USA.

The unsubtlety comes from the fact that without their cooperation with the US on FATCA these places might just as well shut up shop since there would be almost no banks or other institutions willing to locate there. To say that the demand being presented is, therefore, an iron fist in a kid glove looks to be kind. For once the Treasury seem to have got this right.

And for once the demands for information exchange (which I have seen) looks to be appropriate. I can't say there are no loopholes, but my reading so far suggests the drafting is pretty good.

And the impact will be huge: in effect secrecy in these places will end as far as the UK is concerned. Of course, then the UK has to demand the same for the whole of Europe too, at least. But for now this is what International Tax Review have noted:

A leaked government document seen by International Tax Review reveals that the UK is planning to impose its own version of the US Foreign Tax Compliance Act (FATCA) on its Crown Dependencies and Overseas Territories. The move will deal an almost-fatal blow to tax evasion through the UK's tax havens.

Responding to an [International Development Committee](#) report earlier [this week](#), the government [publicly rejected](#) the need for a UK version of FATCA the need for a UK version of FATCA, which would require tax authorities to automatically exchange information relating to UK citizens or corporations.

In private, however, the government has already drafted FATCA legislation which it will impose on its Crown Dependencies and Overseas Territories. These include some of the world's most notorious tax havens such as the Cayman Islands, the Channel Islands and

the Isle of Man.

The draft agreement, seen by International Tax Review, will require the automatic exchange of information for each reportable account of each reporting financial institution. That will include full details of all beneficial owners of the account, including those whose identities might otherwise be hidden by trusts or companies

It will also require the account number, name and identifying number of the reporting financial institution as provided when registering with the IRS for FATCA purposes, and the account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year, immediately before closure.

The move will come as a huge blow to tax havens and companies and individuals hiding money in them. But it is a coup for the Tax Justice Network (TJN), which has long been arguing for automatic information exchange.

"This is a requirement for full, open disclosure," said the TJN's Richard Murphy. "It looks through trusts, companies, who owns the assets. It's full automatic information exchange."

Murphy says the UK Crown Dependencies and Overseas Territories will never be the same again and he has a simple piece of advice for anyone hiding money in these locations.

"The evidence is now clear: the writing is on the wall for secrecy in the UK's tax havens," he said. "There are now two options for those hiding their funds in these locations. The first is to own up now. That's the wise option. It's the only safe option. The alternative is to flee. My suspicion is that it's already too late for that to work."

Murphy says he understands that Jersey is strongly opposed to the legislation, but Guernsey and the Isle of Man are likely to "roll over and take it".

Malcolm Couch, head of the income tax division at the Isle of Man Treasury would not comment on the prospect of a UK FATCA, but said that the Isle of Man has noticed that discussions on international tax cooperation have moved to a new place as it has become clear that FATCA will work.

"Discussions on automatic exchange of information have come to the fore," Couch said. "The Isle of Man needs to determine its position appropriately as things move, but they are moving."

The UK Treasury declined to comment, but said that it is assisting the Crown Dependencies and Overseas Territories in their response to FATCA.

International Tax Review expects an autumn announcement from the government, with

the legislation coming into effect on January 1 2014.