

To Russia, with love

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There is much discussion about what can really be done by the UK that might harm Russian interests. Theresa May has backed herself into a corner where she has to say something. The gesture may be as meaningless as throwing out a diplomat or two. It might be a ban on the England team attending the World Cup. Neither will achieve very much. There is one thing that would.

The fact is that the UK is the hub of the world's largest tax haven network. And in many ways, as far as Russian dirty money is concerned, the UK is also the weakest link in that network.

The further fact is that there is almost nowhere on the planet where it is now easier than the UK to form a company. It can be done online. No signatures are required. No proof of identity need be given. No beneficial ownership need be declared. No proof that those named as directors are really running the show is required. [The UK provides the dream location for the money launderer seeking to incorporate](#).

And it gets worse. Latest data (I will publish it soon) shows that almost 200,000 companies a year are struck off the UK company register each year without ever filing a set of accounts. An great many more are struck off with their accounts overdue for filing and so with only out of date information being available. You can be sure that in the former case HMRC have also never seen a corporation tax return. And, of course, no statement of beneficial ownership will have been filed.

The result is that for all practical purposes the UK provides perfect cover for hiding money laundering.

The process is easy. Form a company. Get a bank account. Do a transaction. Apply to the Registrar of Companies to have the company struck off. Say the company has never traded. They agree. HMRC knows nothing at all and so do not object. And the company has gone for good leaving not a trace of what it has ever done.

Then repeat the process as often as is desired.

And that, I am quite sure, is happening day in and day out. Let's also not beat about the bush: the evidence is that some of this is Russian money.

So what to do? Simple. Close the loopholes.

First require that company formation always requires proof of the beneficial ownership of all holdings of more than 10% or it does not happen.

Require that all directors prove their identities with Companies House or they cannot hold office.

Require that every company has a UK resident director.

Make directors fully personally liable for the tax and other liabilities of the company if:

- * the company does not file accounts as required by law
- * the company does not file tax returns
- * the company misstates its accounts or tax returns
- * the company commits money laundering offences.

And make banks provide data to HMRC and Companies House each year on:

- * Who the beneficial owners and directors are, as proved by the bank, with annual updates required
- * The total payments made through any bank account operated
- * Account balances at the company's accounting reference date.

This data is readily available as are the systems to report it: they are just not used.

Then create a legal obligation that:

- * Companies House check this data
- * No company be allowed to be struck off if any data is either missing or wrong
- * Increase penalties for non-compliance
- * Hold directors automatically liable for those penalties
- * Make it a legal requirement that HMRC check this data
- * Make it a legal obligation that HMRC assess a company to tax on the basis of this data if no other data is supplied to them
- * Make directors personally liable for this tax

* Make any accountant or lawyer who assists non-declaration personally liable for lost revenues and penalties

Is that draconian? I suggest not. All it says is that the obligations of directorship must be taken seriously.

And it says that cheating companies undermine the economy as well as assist tax laundering.

But in the process it will also stop those aiding and abetting those using UK companies for nefarious purposes, which I strongly suspect many are.

This is a curse of our economy that needs to end.

And it may hit Russian money laundering hard.

It is a double win. Its time has come. Theresa May should announce it will happen.