The UK's tax havens: where from here?

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Yesterday's decision by the House of Commons to impose public registers of beneficial ownership on the British Overseas Territories, but not the Crown Dependencies, is massively significant, as I have already explained. But the question has to be asked, what next?

The Overseas Territories

More than sixty years of UK policy of paying for the Overseas territories by letting them be tax havens has come to an end. They will not be havens anymore. Their secrecy has been shattered.

The UK will have to foot the bill: there will be a transitioning required for these economies. In places like the BVI, which has been dependent on selling abuse behind a veil of secrecy to fund itself, the shock will be big. Cayman, Bermuda and Gibraltar will also be heavily hit, and rightly so.

There will be loss of population: the transient professionals who largely staff the forms selling secrecy will leave these places quite soon, I suspect. The only constraint will be the time taken to wind arrangements up, and clients will be anxious to be out of there as soon as possible.

There will be loss of revenue: these places will have to tax more. But the UK government will also need to provide support: I have no difficulty with the aid budget being used for this purpose, and the need will be ongoing. It's a price well worth paying.

But look at the upside: these places are now much less likely to be sanctioned by the EU.

And look also at the upside: with finance declining the finance curse that has stopped anything else of value growing will abate: new, real, local and useful economies will emerge; of that I am quite sure. People adapt to change, albeit with smaller populations in all these places, I suspect.

The Crown Dependencies

There will be much smuggery in Jersey, Guernsey and the Isle of Man this morning for apparently having escaped this measure. It is misplaced.

All three are on the European Union tax haven greylist. Expect that to go black if they do not follow the enforced move of the Overseas Territories: their failure to do so will prove to the EU that they are choosing not to follow the norms of best practice and sanctions will follow. **The threat is very real already, and growing.**

The UK will, in time-honoured fashion, arm-twist all three into complying.

All three will comply: they will do so to protect the myth that they have free will knowing that if they do not the Uk will legislate.

They too will then have to transition. I suggest they apply to be part of the UK. I would give them parliamentary seats. I would allocate them funds to ensure that they can create new industry and services. I would ensure that they enjoy the public services that local people expect. I would eliminate their massively wasteful governments. And I would expect there to be significant declines in population as the fly by night tax secrecy vendors sell out. But that will create a massive tourist rental income market for local property that will sustain the local economy: these are places worth visiting. Again, the finance curse will be lifted. And I strongly suspect that they will self-sustain themselves in due course on a new basis.

Alternatively, they could now adopt my plan B. That would require a brave financial services sector, but for one of them this could be a real win.

The City

The City will be cursing: they have loved dealing with the flows of supposedly anonymous money the tax havens have supplied, and will no more.

But the City is in for a shock already. This is a minor blip in comparison to Brexit.

And if the City cannot survive without dirty money then it should not be there at all.

No one should be shedding tears for any imapct on the City.

The UK

We can hold our heads up high. We have done the right thing.

We made transparency the new standard.

The risk of the UK being sanctioned as a tax haven by the EU after Brexit has declined considerably.

Our standing in the world should rise, considerably.

We should raise more tax.

And face less crime.

We should have fairer competition.

But let's also be clear: we have to get our own house in o0rder: Companies House is an utterly ineffective company regulator and we too have to do a lot better to ensure that beneficial ownership is really on public record on this country.

The EU

The EU has to take note.

It has to threaten the Crown Dependencies.

But it has to ensure that this standard is really met across the EU as well. Right now the EU's company registers are dire (many making Companies House look good: I am researching the issue and it is not a pretty picture). There can be no-grandstanding. When all EU countries deliver we can be happy, but right now they also do not. So it's time for action there too.

The rest of the world

A new standard has been set. And now the Financial Action Task Force has to take note. And that standard has to become universal with action against places that do not comply.

And let's be clear where the biggest problem is: it is in the USA. That is now the world's biggest seller of secrecy. And that abuse has to end.

Campaigning

The above makes clear that there is still much to do, and many battles still to be won.

And beneficial ownership is not the end. Then we want all accounts, unabridged, on public record. Only then can we really beat abuse.

Summary

This was a big day.

There is much to do.

But those shedding tears need to smell the coffee, and the rest need to take note: transparency is the new norm. You can't stop it.