



Are Tax Havens Legal?

A tax haven is a country that offers foreign businesses and individuals minimal or no tax liability for their bank deposits. Whilst they offer many tax advantages for corporations and the very wealthy, they can be open to abuse – so careful guidance is needed.

Granville Turner, Directors, Turner Little

As the name suggests, tax havens are locations that offer foreign individuals and businesses little or no tax liability. A list of some of the most popular tax haven countries includes the Bahamas, Belize, Hong Kong, Panama and the British Virgin Islands.

These countries tend to have lower rates of tax than that of the UK, influencing some individuals to manipulate this for tax evasion, money laundering or organized crime. As such, 'tax haven' has become a toxic term that's often vilified in the press, with top economists putting their names to a letter that called to end to tax havens.

Is it legal?

Using structures and banking arrangements in so called Tax Havens is perfectly legal despite the potential for criminal use, it is completely possible – and very common – for tax havens to be utilized in ways that are both legal and legitimate.

If you are an expat or you hold a passport of the country where the offshore bank account exists, and all taxable income that enters your account is properly declared, your use of a tax haven is perfectly within the boundaries of law.

When does it become illegal?

If you've heard of The Paradise Papers, published in 2017, then you will know that an estimated 13.4 million leaked documents exposed insider details of many individuals and offshore companies – including high-profile names – who were using tax havens illegally to avoid corporation tax.

Fast-forward nearly five years later, and news outlets continue to reveal the names of those who played the system today, resulting in a hefty penalty for those individuals.

The Paradise Papers have sparked a renewed interest and investigations into the legitimacy of offshore

accounts. The simplest way to determine whether use of offshore tax havens is lawful is to investigate whether the owner of the account is utilizing it for monetary gain and neglecting to declare income to HMRC. This behaviour amounts to tax evasion and is illegal.

Are tax havens good?

The existence of tax havens has many effects – good and bad. At one level, the lower taxes in one country puts pressure on other countries for keeping their taxes low. While this is good for taxpayers in the short term, the secrecy associated with some tax havens may encourage illegal activities that can harm the economy in the long term.

The key to success

Tax efficiency is what most people are trying to achieve. It is understanding the best way to legally make the most of your personal or business income that's the key to success.

At Turner Little, our job, when talking to people in relation to offshore banking and associated tax matters, is not only to provide guidance that is consistent with the letter of the law, but also to ensure you comply with the spirit of the law. To discuss your offshore banking requirements, speak to Turner Little today.



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Granville Turner, Director at Company Formation Specialists, Turner Little, brings a wealth of knowledge of compliance, tax and law to the business. Prior to establishing Turner Little, Granville was Company Secretary at a major PLC.

In work and in life, Granville combines an eye for detail with a heart for adventure. This comes through in his outside interests, from developing a passion for restoring violins in his thirties, to learning to pilot helicopters in his sixties.

