

Contractors advised to avoid offshore activities

"My advice on offshore accounts is simple: don't have them. Don't get involved in any kind of offshore business, offshore trusts, offshore companies, whatever. It's a huge risk" says Barry Roback, CEO of the Watford-based [JSA](#), an accounting firm that specialises in contractor affairs.

This has nothing to do with working offshore. It's about keeping an account offshore and using it to hide money that should be taxed in the UK. Experts say: don't do it. "Offshore banking is just asking for trouble," Roback adds.

The Revenue is Targeting Offshore Accounts

Roback's advice is timely, because the [Revenue](#) has announced that it now has even greater access to some offshore accounts than before. Financial services companies in European offshore centres like Jersey and Guernsey are now cooperating with the Revenue and disclosing information which had not been available previously. The ruling, made last month by special commissioners, will mean that the Revenue will be able to view details of around 100,000 UK-domiciled clients in a move which could yield as much as £275 million in unpaid taxes, the Financial Times reveals. Unconfirmed reports suggest that the banks involved are HSBC, HBOS, Royal Bank of Scotland and Lloyds TSB.

Investors with undeclared offshore accounts are being urged to come forward and HMRC is proposing to offer reduced penalties for a limited period, although investors will still have to pay their tax bill plus interest for up to 20 years.

“ Offshore banking is just asking for trouble ”

Barry Roback - JSA

The Revenue will Notify You

Should you have any offshore assets in these areas, you need to notify the Revenue by 22 June 2007 or you risk having the Revenue notify you—a costly and dangerous business.

The Revenue has made use of its statutory powers and new abilities enabled by the European Commission, specifically in the Savings Directive. Says a spokesperson for the Revenue: "There is nothing wrong with holding an offshore account as long as you pay any tax due on the money deposited in it, and on the interest from it. We want to encourage those with unpaid tax and duties to pay what they owe." Should you choose not to disclose, the Revenue will target you using the information it has recently obtained from your bank offshore.

Not Worth the Risk

But, as Roback points out, why should you have an offshore account at all unless you wish to hide from the tax man? "If you are a UK resident, and you manage your affairs from here, then you are liable for taxes in the UK. It doesn't matter where you bank, or what arrangements you've made offshore or elsewhere. So the only reason you might want an offshore bank account is to hide money from the Revenue, and now they are going to come and find you."

Roback continues: "A typical UK contractor, even at the high end of the fee scale, doesn't earn enough to warrant the kind of complex offshore arrangements that the truly affluent may be able to use. Offshore trusts and offshore companies do not protect you from paying taxes in the UK unless your affairs are actually managed by the trust or the company abroad. So don't get involved with some sort of offshore arrangement that will only cause you trouble with the Revenue in the future."

Some contractors have tried to form limited companies offshore which then siphon off all their revenue from the UK. It's a scheme that doesn't work, and which the courts have already ruled against. "You cannot move your revenue offshore if you work here. It's that simple," Roback adds.

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