



HM Revenue
& Customs

No safe havens

Our offshore evasion strategy 2013 and beyond



In numbers:

HMRC's successes against evasion

£5 billion	The forecast revenue from the UK-Swiss agreement, which has already brought in £340 million
£994 million	The additional funds allocated to HMRC to reinvest in the fight against avoidance, evasion and fraud between 2010-11 and 2014-15
£1 billion	How much is expected to be recovered through the agreements with the Isle of Man, Guernsey and Jersey
5 years	An example of a jail sentence handed down in a recent prosecution for offshore tax evasion
£6 million	Investment over two years in a new HMRC offshore evasion strategy team
1 billion+	The number of records that HMRC's CONNECT data analysis system contains, including taxpayer records and information from third parties and from the internet
4,000	The number of registrations made under the Liechtenstein Disclosure Facility (LDF)
£3 billion	How much is expected to be recovered through the LDF by 2016
£11 million	The largest single settlement under the LDF so far
50,000	Taxpayers that have already come forward through all offshore disclosure facilities, generating over £1 billion in tax, penalties and interest to date
200%	Level of penalty on tax evaded offshore

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Ministerial foreword

The vast majority of people in the UK pay the tax that is due under the law. A minority seek to evade their responsibilities – making use of our infrastructure and services but reducing their tax bill by hiding their income and assets overseas. This behaviour is criminal. The Government is delivering for the honest majority by flushing out these tax evaders and ensuring that everyone pays their fair share.

At Spending Review 2010 we invested £917 million in HMRC specifically targeted at tackling avoidance, evasion and fraud. This funding has increased the number of staff dedicated to tackling offshore evasion and ensured the introduction of specialist teams and technology HMRC needs to catch more fraudsters and evaders. At Autumn Statement 2012, we renewed this commitment, investing a further £77 million in HMRC, again dedicated to increasing tax compliance, including funding the creation of a new offshore evasion strategy team. This document sets out the strategy they have developed.

Central to this offshore evasion strategy is greater sharing of information between governments. Last year, we signed an enhanced automatic exchange agreement with the USA, the first of its kind anywhere in the world. In February we reached an agreement with the Isle of Man and I welcome the lead they have taken. We now have similar agreements with both Guernsey and Jersey, demonstrating the commitment of all the Crown Dependencies to transparency and to tackling tax evasion. We, of course, expect them to honour that commitment and will be looking to conclude similar agreements with other jurisdictions.

With this dramatic increase in information flows comes an increase in the likelihood of evaders getting caught. Those who are determined to continue breaking the law by evading tax will find that the strongest penalties are imposed on them. The time has come for those with hidden offshore interests to come forward: there are no safe havens for tax evaders.



David Gauke
Exchequer Secretary to the Treasury

Executive summary

Taxpayers are free to spend, save and invest their money wherever they want, but we expect them to tell us about taxable income, gains and assets and pay any tax due. Most individuals and businesses are honest and do pay what they owe, when it is due. But a small minority tries to evade their tax by hiding money and assets offshore, depriving the country of revenues and imposing a greater burden of tax onto the honest majority. That is why HMRC is stepping up our campaign against offshore evasion with a new strategy that involves stronger action, both at home and internationally.

What is offshore evasion?

Offshore evasion is using a non-UK jurisdiction with the objective of evading UK tax. This includes moving UK gains, income or assets offshore to conceal them from HMRC; not declaring taxable income or gains that arise overseas, or taxable assets kept overseas; and using complex offshore structures to hide the beneficial ownership of assets, income or gains.

How big is the problem?

The hidden nature of the problem and the way that information is currently recorded mean that there is no clear view of the cost of offshore evasion. However, HMRC's recent progress in tackling offshore evasion through exchange of information agreements and disclosure facilities indicates that it has a significant cost to the UK. That is why we are undertaking innovative new work to use a wide range of data sources and engage experts and academics to develop a comprehensive evidence base on the scale and nature of offshore evasion.

International leadership

The Government is working with the international community to pursue offshore evasion. The UK is a key player in multilateral initiatives such as the G8, G20 and OECD and is signing bilateral agreements with individual countries to tackle offshore tax evasion. These include the Liechtenstein Disclosure Facility, UK-Swiss Agreement on Tax Cooperation and a groundbreaking agreement signed between the UK and the United States of America (USA) last year¹ allowing for automatic reporting of information and setting a new standard in international tax transparency. The Government has already reached similar agreements with the Isle of Man, Guernsey and Jersey, and is providing disclosure facilities to address historic tax evasion by UK taxpayers.

Domestic action: How we are tackling evasion

Since 2010 the Government has committed almost £1 billion to tackling evasion, fraud and avoidance, which HMRC is investing in 2,500 extra staff and cutting-edge technology and analytics, underpinned by a stronger set of powers and sanctions, such as criminal investigations and prosecutions and publishing the names of deliberate defaulters.

To tackle offshore evasion, HMRC has set up a dedicated Offshore Co-ordination Unit and there are tough sanctions specifically to counter offshore evasion, including penalties of up to 200 per cent of the tax that was evaded.

¹ The UK-US Agreement to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)

A new offshore evasion strategy

HMRC is building on this approach with a new offshore evasion strategy expressing a renewed commitment to clamping down on those who conceal income, assets and gains overseas to evade tax. The objectives of this new strategy are to ensure:

- there are no jurisdictions where UK taxpayers feel safe to hide their income and assets from HMRC
- would-be offshore evaders realise that the balance of risk is against them
- offshore evaders voluntarily pay the tax due
- those who do not come forward are detected and face vigorously enforced sanctions
- there will be no place for facilitators of offshore evasion.

The way that HMRC will achieve these objectives is by:

- **reducing the opportunities to evade offshore** through initiatives to ensure compliance, international agreements, and multilateral action
- **increasing the likelihood of evaders, and those who make offshore evasion possible, being caught**, by investing in the skills of specialist staff, using the data generated by international agreements, and investing in improved tools, technology and customer understanding to identify, understand and profile high risk customers
- **strengthening the severity of the punishments for those who are caught**, with tough penalties, the possibility of criminal investigation and publishing the names of the most serious evaders.

Delivery of this vision will be underpinned by an expert offshore evasion strategy team, acting in partnership with operational offshore evasion specialists in the Offshore Co-ordination Unit, to develop and coordinate data and analysis, and to guide operational activities.

HMRC will keep this approach under review and ensure that as evidence, tools and technology develop it continues to represent the best way to support compliance, maximise revenues and underpin wider government objectives.

The message to offshore evaders is clear: HMRC has the ability to detect hidden income, assets and gains, and the consequences of detection are penalties up to 200 per cent of evaded tax or possible criminal prosecution. Time is running out for offshore tax evaders: there are no safe havens.

Chapter 1: A progress update

The UK has made real progress in targeting offshore tax evaders, especially in three key areas:

- a dramatic increase in international action
- investing in operations
- harnessing the power of data.

Dramatic increase in international action

International action in recent years has changed the environment for those who seek to evade tax and the UK is at the forefront of this action. The Government's work with partners overseas, in international groups such as the G20, Organisation for Economic Cooperation and Development (OECD) and European Union (EU), started a global shift towards tax transparency, improving information exchange to tackle cross-border evasion and putting pressure on non-cooperative jurisdictions.

This multilateral international work includes:

- work through the **G20** to promote information exchange and maintain pressure on non-cooperative jurisdictions
- participation in the **Global Forum on Transparency and Exchange of Information for Tax Purposes** which works on behalf of the international community to ensure compliance with international standards and the delivery of transparency commitments through peer-review
- active membership of the **OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters**, an agreement with multiple jurisdictions that provides for tax information exchange
- strong support for **EU** action to tackle cross-border tax evasion, including strengthening the exchange of information and mutual assistance among Member States
- membership of a group called **Joint International Tax Shelter Information Centre (JITSIC)**, alongside Australia, Canada, China, France, Germany, Japan, Republic of Korea and the USA. Through JITSIC these countries work together to identify and tackle abusive tax schemes.

In addition, the UK has a network of 137 agreements that allow HMRC to exchange information on taxpayers' affairs with tax administrations overseas, including bank account and investment information. The network is improving every year, as HMRC identifies new partners and opportunities and the UK updates its older agreements and treaties.

In recent years, the UK has also stepped up the pace on securing important bilateral agreements to tackle tax evasion, including:

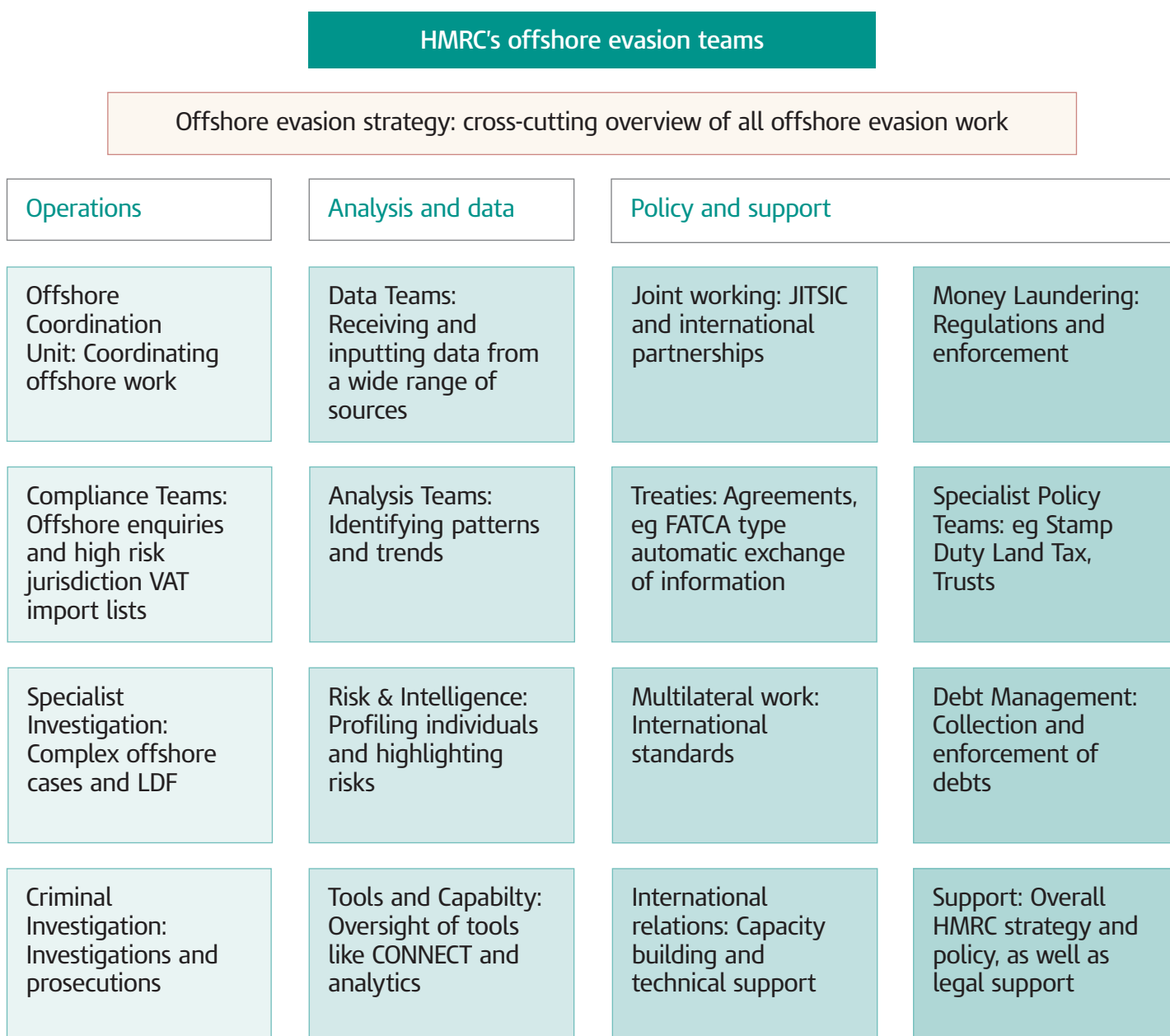
- the **Liechtenstein Disclosure Facility** (LDF), which offers people with unpaid taxes linked to offshore accounts or assets the chance to settle their tax liabilities voluntarily before 5 April 2016. There have already been more than 4,000 registrations and it is expected that up to £3 billion will be recovered through the facility
- the **UK-Swiss Tax Cooperation Agreement**, which came into force on 1 January 2013, which:
 - is the largest ever tax evasion settlement in UK history and is expected to secure £5 billion through a significant one-off payment to address tax evaded in the past and a withholding tax on future investment income and gains arising in Switzerland
 - makes it much more difficult to evade tax by hiding money in Switzerland, by introducing new ways for the UK to uncover information on Swiss bank accounts
- the groundbreaking **Intergovernmental Agreement with the USA**, signed in late 2012. This forms part of a new standard in international tax transparency, with much greater levels of automatic exchange of tax information. The work of the UK with the other G5 members (Germany, France, Spain and Italy) in developing the agreement makes this an effective tool for bilateral exchange of information and a model for future agreements.

Investing in operations

Since 2010, HMRC has improved both our capability and our capacity to tackle offshore evasion. We are redesigning processes so that individuals have less opportunity to evade, enforcing stronger penalties for offshore evasion and pursuing more criminal investigations.

Investment in HMRC at Spending Review 2010 provides funding for an additional 2,500 staff working in areas that contribute to all enforcement and compliance work by 2014-15. Although not all of this resource is focused on tackling offshore evasion, it means HMRC **has more investigators who are able to deal with complex cases**.

The diagram below provides an overview of the areas across HMRC that support offshore evasion work.



HMRC has **increased specialist resource**, for example by creating dedicated offshore teams, such as the Offshore Coordination Unit (OCU). The OCU coordinates activity to tackle offshore evasion, takes a strategic response to using sources of offshore bulk data, and develops investigative techniques that improve our effectiveness in challenging offshore evasion.

At Autumn Statement 2012 it was announced that a further £77 million would be allocated to HMRC to tackle evasion and avoidance. Part of this will be dedicated to **increasing the number of staff tackling offshore evasion** and inheritance tax avoidance by people using offshore trusts, bank accounts and other methods. This investment also included £6 million over two years to set up a **new offshore evasion strategy team**.

HMRC's operations are supported by a strong suite of **information and inspection powers** designed, in consultation with taxpayers and representative bodies, to check tax positions, tackle non-compliance, ensure there are sufficient safeguards and create a level playing field.

HMRC has tough sanctions against those who evade tax offshore, with **penalties of up to 200 per cent** of the tax that was evaded offshore, where individuals are concealing offshore assets in the most secretive jurisdictions that have little or no information exchange with the UK.

HMRC also pursues **criminal investigations** into those who evade tax offshore and there are 27 ongoing criminal investigations involving offshore tax evasion. HMRC has recently secured a number of prison sentences for offshore evaders. Offshore evaders will be subject to the full range of sanctions provided by the law unless they come forward voluntarily.

One of the innovative operational approaches HMRC has recently adopted is to offer **disclosure facilities** to people with offshore investments. These facilities give people a limited opportunity to come forward voluntarily to clear up their tax affairs. These are not amnesties, because the taxpayers still have to pay the tax they owe, plus interest and a penalty, but that penalty will be lower than if they do not come forward voluntarily and HMRC catches them later. For those who disclose, this provides HMRC with the opportunity to ensure they remain compliant.

Disclosure facilities work: 50,000 people have so far come forward under the offshore disclosure facilities, they have already yielded almost £1 billion in unpaid tax, penalties and interest and HMRC expect them to generate around £4 billion in revenues.

Harnessing the power of data

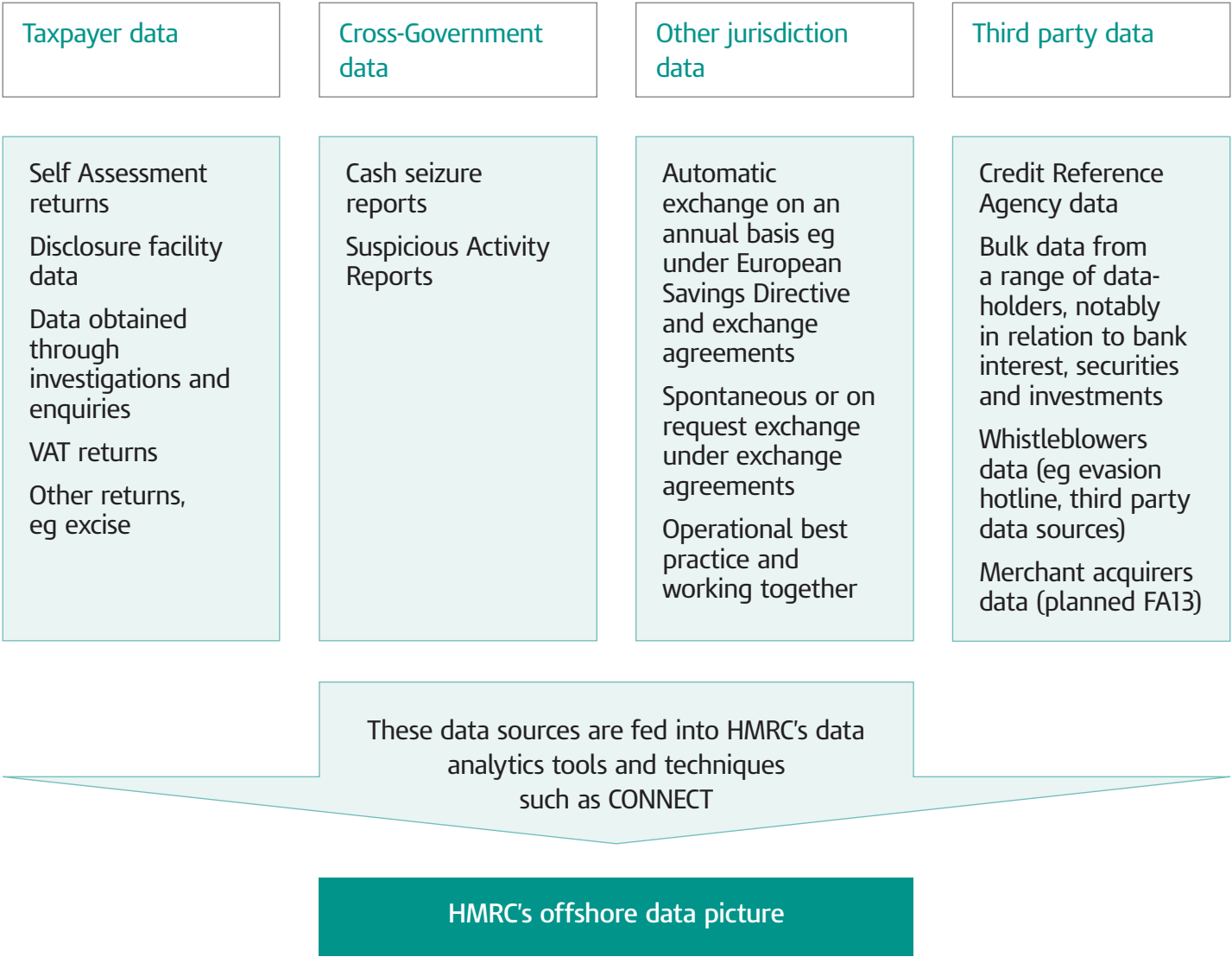
In the past, offshore accounts and other complex arrangements were shrouded in secrecy, so some people felt that they could dodge their tax obligations by failing to declare their income from these accounts in tax returns. Those days are gone.

HMRC has a huge and expanding range of data, including details about sources of income, interest on deposits in bank accounts, taxes paid and unpaid, business and property ownership, and data from tax authorities in other countries. HMRC holds more data than the British Library, and is increasingly joining up all the dots to build comprehensive pictures of the financial affairs of people suspected of tax dodging.

As the diagram below shows, HMRC already holds a unique range of information on income and payment of taxes, including exchange of information with other tax administrations, as well as information from banks, insurers and other third parties.

These information sources increase all of the time as the UK implements new agreements with other jurisdictions, and builds information flows with other government departments or private sector bodies.

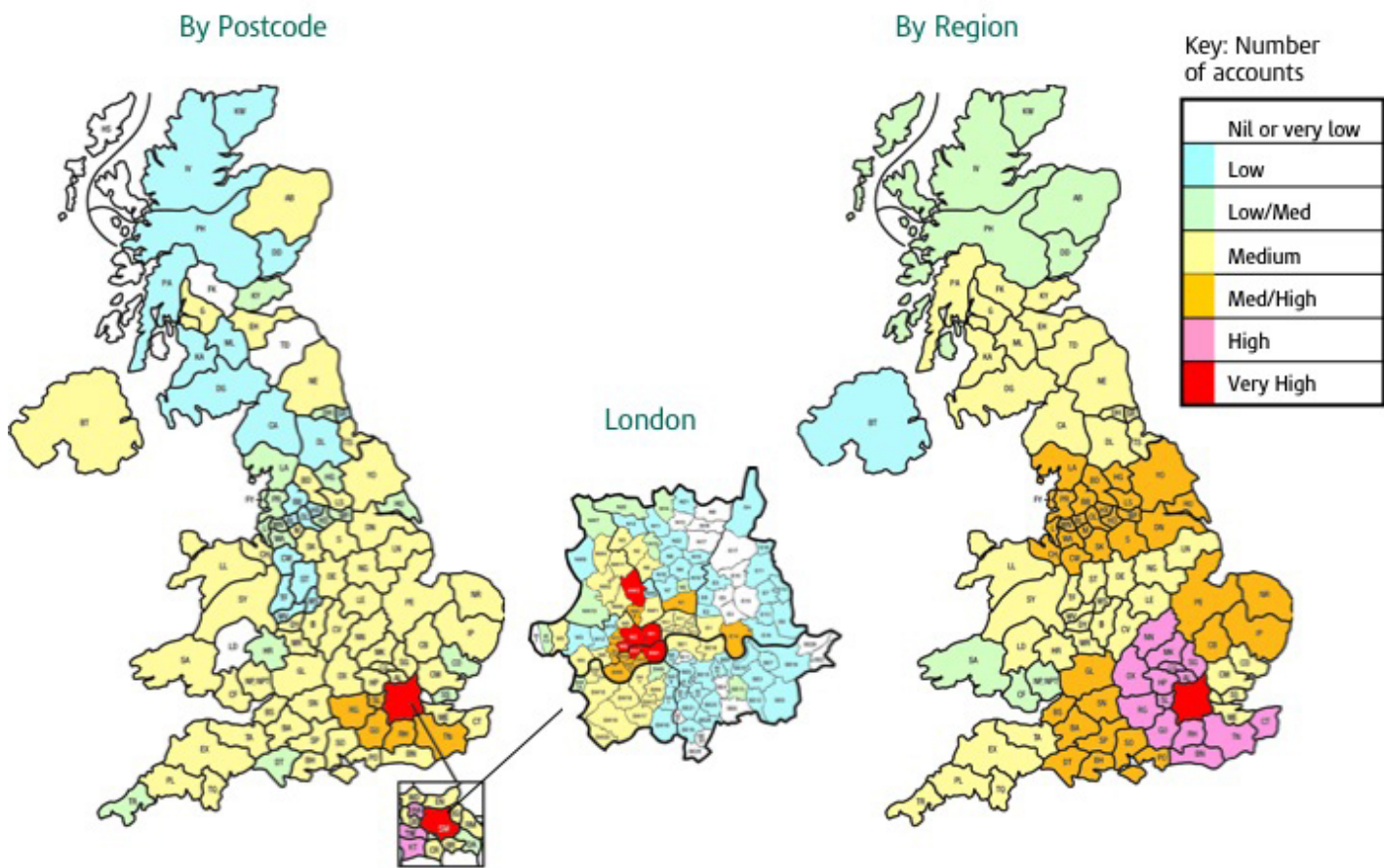
Examples of HMRC's data sources



The variety, volume and speed of information generated creates new opportunities that support and are shaping new operational approaches and it has become possible to exploit data in new ways. For example, HMRC can pull together maps of behaviour based on data sources so that it can identify and understand hot spots of activity and focus resources to tackle them.

This map shows how HMRC has mapped some data on offshore accounts to geographical areas. The level of offshore activity and patterns in its use are one of the factors used by HMRC to pinpoint risks.

Example of how data can be sorted by postcode area and region



HMRC can cut the data in a number of ways. Split by postcode, there is a good spread across the country in the use of offshore accounts.

Split by region, the data clearly highlight that the use of offshore accounts is focused around the wealthier areas of London and the South East.

Case studies: HMRC offshore evasion approach in action

Go directly to jail

When HMRC investigated a company providing agency workers, we found that one worker, Steven Maxwell, had been receiving payments into an offshore account. Maxwell was earning significant sums, but he had not paid tax for years. HMRC's Criminal Investigation teams launched an enquiry, and established that he had evaded over £600,000 and had bought an expensive property in the UK through an offshore vehicle. Maxwell was found guilty of income tax evasion last year and sentenced to five years in prison.

You cannot hide money forever

Mr F was a long-time tax evader. With the help of an overseas lawyer, he had built an extensive network of offshore trusts and companies to shelter both business and private assets and to move funds through a variety of jurisdictions. He had reason to be confident in the security of these arrangements, as their complexity had effectively hidden his identity and he had never contributed UK taxes. However, when Mr F died, the beneficiaries and executors of the estate needed HMRC clearance to get Grant of Probate. HMRC investigations, using HMRC's sophisticated risk tools such as CONNECT, uncovered a highly-sophisticated fraud perpetrated over a prolonged period of time. A recovery of more than £10 million was secured from the estate.

Jetsetter

Mr C appeared to be a straightforward and credible businessman. The reality was very different. Every year when he booked a holiday in Switzerland, alongside his ski gear and holiday reading he packed his suitcase with cash from his business. He had bank accounts in Switzerland and a foundation in Liechtenstein, along with a complex network of foundations and companies across multiple jurisdictions: all of which was funded by earnings from a UK business which had not been declared to HMRC. The Liechtenstein agreement forced Mr C's hand, and he decided to come clean. HMRC recovered nearly £4 million of unpaid tax, interest and penalties.

A family secret

Mrs A was facing tough times after the death of her husband. Although she had always thought him to be successful, he appeared to have very few assets on record. There had been whispers of secret bank accounts, but solicitors had been unable to track anything down. Out of the blue, a letter arrived from Liechtenstein. Liechtenstein banks were required by their agreement with the UK to identify all UK taxpayers with an interest in accounts there, and to prompt them to ensure that the funds were tax compliant. Mrs A's husband had owned such an account. Mrs A approached HMRC through the Liechtenstein Disclosure Facility and settled. Mrs A can now use the remaining funds which were previously unavailable to her.

Note about the case studies: These are real cases which have come to the attention of HMRC. A number of details have been changed to ensure anonymity (as required by the duty of confidentiality on HMRC) and to aid comprehension.

HMRC doesn't only know what you tell it

Roderick Smith and Stephen Howarth owned a business together. Goldlogic Control Systems, their business, worked with a wide range of customers across Europe. Smith and Howarth were aware of HMRC campaigns to tackle offshore evasion; indeed, given the chance to come clean in an offshore disclosure campaign, Smith came forward and disclosed one of his 12 offshore accounts. They didn't tell their accountant and felt they had done enough to get HMRC off their backs. Time passed and they enjoyed a lavish lifestyle, splashing the hundreds of thousands of pounds they had evaded on luxury cars and holidays. But HMRC was alerted by the German tax authority that they had significant business activities that they had not been declaring. HMRC investigators uncovered a complex web of accounts across five shell companies registered in other jurisdictions, created solely for the purpose of tax fraud. The two men were prosecuted - both facing jail sentences of at least a year, and confiscation ordered by the Court to recover the tax and interest evaded totalling £500,000. They must pay within 24 months or their jail sentences will be doubled.

Evasion is bad advice and stores up bills for the future

Mrs D was self-employed and told HMRC over a number of years that she had modest profits. HMRC obtained information under the EU Savings Directive that she was receiving interest from an offshore bank account, so our compliance teams opened an enquiry to investigate her affairs. The investigation took several months and Mrs D came clean. As part of the investigation she made clear that her agent had advised her that she should not declare so much cash and suggested that she deposit some offshore. She was told that it was unlikely to be investigated and she would save on her tax bill each year. Although Mrs D is facing tax, interest and penalties equivalent to more than 10 times the amount of her reported turnover. Her new agent is helping her to settle with HMRC and put her tax affairs on the right footing.

Operations in action

Recently, HMRC's Offshore Coordination Unit systematically analysed data on individuals with second homes who might have undeclared income and gains associated with them. The results showed a significant number had not accurately reflected the transactions on their returns. One individual was identified as having failed to notify significant business interests to HMRC and that case is currently being pursued for criminal enquiry. Other individuals were given the opportunity to come clean about any undeclared liabilities and those who did not respond will be risk assessed for a formal investigation.

Chapter 2:

The emerging offshore strategy

At Autumn Statement 2012 the Government announced that HMRC would publish a strategy bringing together all of the strands of activity to tackle offshore evasion. This chapter sets out the ambition for tackling offshore evasion, and the approach and tools that HMRC will use. This is the first iteration of the strategy, and HMRC expects to update it as it develops the evidence base and make further progress in developing the approach.

Aims of the offshore evasion strategy

The objectives of the new offshore evasion strategy are:

- there are no jurisdictions where UK taxpayers feel safe to hide their income and assets from HMRC
- would-be offshore evaders realise that the balance of risk is against them
- offshore evaders voluntarily pay the tax due
- those who do not come forward are detected and face vigorously enforced sanctions
- there will be no place for facilitators of offshore evasion.

HMRC will seek to develop performance measures by which our success against this ambition can be judged.

HMRC's approach

The action that HMRC will take can be grouped into three broad categories:

- **reduce the opportunities to evade offshore**
- **increase the likelihood offshore evaders, and those who make evasion possible, are caught**
- **strengthen the severity of the punishments for those who are caught.**

Reducing the opportunities to evade

The best way to tackle offshore evasion is to ensure that it never occurs in the first place. HMRC is doing this by making standard guidance and processes as easy as possible for individuals to comply with. In addition, HMRC is taking specific bilateral and multilateral action to ensure that there are no safe havens where UK taxpayers can hide their income and assets to evade tax.

Bilateral agreements

While great progress has been made internationally to open up non-cooperative jurisdictions, more still needs to be done. The Government believes that there are two key elements to future bilateral agreements targeted at tackling tax evasion:

- **automatic exchange of information for the future:** building on the historic agreement with the USA, the Government will look to conclude similar agreements with other jurisdictions, moving to a new standard of automatic information exchange in bilateral agreements
- **measures to encourage those with hidden funds to come forward:** HMRC will continue to seek agreements with other jurisdictions, including the Overseas Territories, building on the agreements reached with Liechtenstein, the Isle of Man, Guernsey and Jersey.

HMRC Approach



Future automatic exchange agreements will be prioritised on the basis of a number of key factors in combination. These include:

- **size of UK flows:** jurisdictions with the highest flows of potentially undisclosed funds and tax at risk
- **patterns in UK use:** jurisdictions with the highest proportion of UK-related arrangements
- nature of jurisdictions' laws: jurisdictions with the **highest level of secrecy** and the lowest level of compliance with international standards on information exchange
- **supporting international partners:** the Government recognises the value of working in concert with other states to tackle offshore tax evasion and will give weight to those states that partners are also seeking to tackle
- **maintaining momentum:** scope to ensure the pace of action does not wane.

Multilateral action

The UK has strong international relationships with other jurisdictions across the world. This year, the UK will use that strong international position, along with its Presidency of the G8, to promote a **global move to greater multilateral automatic information exchange** and send a strong message to non-cooperative jurisdictions that it is time to co-operate. As the Prime Minister said in his Davos speech in January 2013:

“We want to use the G8 to drive a more serious debate on tax evasion and tax avoidance... In the UK, we’ve already committed hundreds of millions into this effort, but acting alone has its limits. Clamp down in one country and the travelling caravan of lawyers, accountants and financial gurus will just move on elsewhere. So we need to act together, including at the G8. If there are difficult questions about whether existing standards are tough enough to tackle avoidance we need to ask them. If there are options for more multilateral deals on automatic information exchange to catch tax evaders, we need to explore them.”

The UK will continue to look at how it can work multilaterally in other groups and forums to identify, investigate and combat offshore evasion. Plans include:

- work at an operational level with the JITSIC group of countries to share expertise, experience and best practice; for example, by exploring joint case-working as a means to accelerate investigations
- initiatives with partners to explore how the UK can exploit non-tax data overseas. The UK is working with a number of jurisdictions to share financial intelligence to identify and investigate tax evasion.

Increasing the likelihood of catching offshore evaders and their facilitators

HMRC will ensure that our use of data and operational decisions reflect the complex nature of offshore evasion to increase the chances of detecting and tackling those who attempt to evade by concealing assets, income and gains offshore.

Better use of data

Data underpins HMRC's ability to focus resources to the highest risks. There are two key elements to this work: better understanding the overall scale and nature of offshore evasion, and increasing the operational data sources available to HMRC.

We are already gaining a better understanding of the nature and scale of offshore tax evasion through disclosure exercises and third-party data, as well as by working with our international partners. The department will build on this to create a comprehensive evidence base, by:

- using publicly-available data (supported by that held by HMRC) to build a picture of the funds held abroad by individuals
- engaging with experts and academics to improve the basis of the estimate
- refining the estimates so they allow HMRC to:
 - identify the highest-priority jurisdictions
 - identify customer behaviours and other indicators.

Building the evidence base will support HMRC to focus resources where they will make the most difference. HMRC will supplement this approach by ensuring the effectiveness of operational data to identify the individuals who attempt to evade and the facilitators and third parties that support them. To do this HMRC will:

- **explore further use of third-party data** to detect offshore evasion, by using data obtained from financial institutions and others to identify those who do not tell HMRC everything they should about their offshore affairs

- **explore whether current information requirements go far enough.** For example, HMRC plans to undertake a review of data sought through Self Assessment on the use of complex financial arrangements
- **collaborate on multilateral initiatives** to standardise electronic exchange of information, so HMRC can use data more quickly
- **obtain information from merchant acquirers about credit card transactions.** Draft legislation published in December 2012, for inclusion in the 2013 Finance Bill, will allow HMRC to obtain details of the monthly credit card totals paid to merchants in order to identify those who do not declare their full sales
- **improve the use of received exchange of information requests** to identify tax risks in the United Kingdom
- **review disclosure conditions**, to ensure that offshore evaders will only benefit from the full reduction in penalties where they make a full disclosure (including giving details of any third parties that have supported them in putting arrangements in place)
- **review incentives for those who support the identification of offshore evaders** (ie whistleblowers).

Improving HMRC's tools and operations

To improve our capability to identify, understand and tackle offshore evasion, HMRC will:

- capitalise on the additional **investment of £29 million in risking tools** made at Autumn Statement 2012, to enable a more robust central data store and a more focused, risk-based approach to the data received
- explore how HMRC can **increase data mining capability and capacity use**. Many of the past disclosures were made on paper and, although these sources already inform investigations, we are beginning to store and mine this data to inform risk profiling of other taxpayers' returns and identify potential projects to tackle the highest risks (eg based on patterns in the jurisdictions and facilitators involved)
- **extend HMRC's analytical resource** to enable it to speed up the use of data, securely develop cases for early intervention and work with the new offshore strategy team to develop a wider understanding of offshore risks
- **learn from other tax administrations** which already have strong experience in developing benchmarks and best practice, and work with them to identify and maximise opportunities to share information related to offshore structures created for UK residents to evade tax
- **maximise the impact of staff involved in tackling offshore evasion** by, for example, training staff to increase their ability to use exchange of information requests to obtain data from other jurisdictions

- **identify and tackle those who facilitate offshore evasion** as a priority area of the developing strategy. We recognise that some professional advisers help facilitate structures and steps that support tax evasion. As a first step, we are undertaking a pilot study to identify, understand and tackle offshore risks associated with trust and company service providers and tackle those most likely to facilitate tax evasion. In doing so HMRC will take a cross-disciplinary approach, involving both tax and anti-money laundering powers
- **take a cross-government approach** to work with other departments where this will strengthen HMRC's ability to respond to offshore tax evasion.

Improving understanding of taxpayers

Not all individuals committing offshore evasion have the same drivers and starting points. For example, an individual who is advised that income put into an offshore bank account will be invisible to HMRC will have different motivations from someone who inherits an offshore account. HMRC recognises that it needs to adopt differing approaches to tackle different behaviour.

For this reason, the strategy will build on our growing understanding of the drivers of behaviour, and will **leverage an increasing expertise in changing customer behaviour** – including for those suspected of offshore tax evasion. This approach was very successfully adopted with data received in respect of accounts at a bank in Switzerland and HMRC will be actively seeking further opportunities to use data in this way.

Strengthening the severity of punishment for those who are caught

HMRC is setting out clearly what constitutes offshore evasion, making it easier for taxpayers to comply and offering opportunities to evaders to come clean and put their affairs in order. So HMRC will increasingly regard those who still do not come clean as deliberately breaking the law. They will have no excuse and we will come down hard on them, with all the sanctions at our disposal.

More and tougher penalties

There is a strong penalty regime for offshore evasion, with penalties of up to 200 per cent of the tax that was evaded offshore. To ensure the ongoing appropriateness of penalty levels and HMRC will review:

- how reform of investigation techniques can **ensure that the strongest penalties are applied to appropriate cases**
- the **effectiveness of existing offshore penalties**, ensuring that the scale of the penalty fits the seriousness of offshore evasion
- whether the **scope of offshore penalties** is effective, taking into account, for example, whether these penalties should be widened to apply in respect of profits and gains accrued onshore, but hidden offshore
- how HMRC can **make supporting offshore evasion more costly for those who help facilitate it**. We are currently consulting on enhanced information powers and penalties for facilitators who pose a high risk in terms of avoidance and will consider whether a similar approach could be effective in tackling offshore evasion.

More investigations and prosecutions

HMRC will use information from other jurisdictions and disclosure facilities to catch tax evaders and uncover criminal offshore arrangements. HMRC has already significantly increased the number of criminal investigations and prosecutions of tax cheats, and will **increase the number of investigations** specifically into offshore evasion.

More publicity

HMRC will **proactively publicise offshore campaigns and successful criminal prosecutions** so that it is clear to all what the consequences are for those who seek to evade. This also includes publicising the names of those who are deliberately defaulting on their tax – offshore as well as onshore. In February 2013 we published the first list of deliberate tax defaulters where more than £25,000 would have been lost without HMRC's intervention. Those who do not make a full disclosure of their offshore affairs run the risk of having their details published.

More monitoring

Where people come forward and clear up past tax liabilities, HMRC will help them to remain compliant through a new support programme **Sustaining Offshore Voluntary Compliance**. This will provide timely help and support to ensure that people continue to declare their offshore income. Those who do not make a full voluntary disclosure and are investigated and receive a penalty for deliberate non-compliance will be subject to greater scrutiny from HMRC under the **Managing Deliberate Defaulters** programme.

Developing this approach

HMRC has developed a number of high-level principles to shape this work. These will support us to plan the future work programme and actions. They include:

- **supporting and sustaining compliance:** HMRC wants to make it easy for people to understand what their obligations are and to design out potential opportunities for non-compliance. HMRC will maximise the deterrent effect of our efforts to combat offshore evasion to discourage those who might be tempted to risk concealing funds offshore and will review what HMRC can do to tackle those who facilitate tax evasion. Some taxpayers have made past decisions that they now wish to come clean about. It will offer simple ways for taxpayers to put their affairs on the right footing and ensure they remain compliant for the future
- **generating revenues:** HMRC will make tax evaders pay the taxes they owe and any interest and penalties due, and ensure they remain compliant to secure the best return for the Exchequer
- **tackling the whole problem, not just its symptoms:** HMRC's commitment to tackling offshore evasion will help to identify the highest-risk taxpayers, tackling wider evasion. In gathering information on those who use complex or hidden offshore structures, HMRC will also tackle serious crime and support the police and other law enforcement agencies, inside and outside the UK
- **innovating and working more effectively:** HMRC will explore how it can best exploit data, tools and technology to support the full range of operational responses (including compliance checks, criminal investigation and enforcement of money laundering regulations). This will be a cross-disciplinary approach, including working with those responsible for financial regulation and company law, using the full range of tools that Government has to hand
- **building an approach that is based on customer understanding and evidence:** we are developing a more comprehensive assessment of the size and nature of offshore evasion. We will refine our approach, based on the developing evidence base, to ensure that it focuses activity on the areas of highest risk and greatest opportunity.

Action plan: How the strategy will work in practice

HMRC Roadmap 2013 Offshore evasion strategy

