Is offshore really so 'orrible?

words | Ian Le Breton

In several of my articles in recent years, I have considered the whole question of "offshore" and whether financial services that rely on a "no tax or low tax" environment really have a future in the post-financial crisis world. This debate is not going to go away any time soon and, as the current furore over a British bank in Switzerland amply demonstrates, every new scandal brings it back to the top of the media and political agenda. Given several new factors that have come into play in 2015, I thought I'd better revisit the main themes for this piece.

Firstly, a quick reminder of what a professional services provider means by the term "offshore". This is important because some (I include myself in this group) choose to define offshore in the broadest brush terms. At its simplest, it is the arranging of one's financial affairs in a country — we prefer the term "jurisdiction" — that is separate from one's home country. Of course for most people, "offshore" means something much more specific and refers to a group of around 50 countries and territories that offer a range of services specifically designed to attract international business.

Gibraltar is one of these jurisdictions and, as I have been saying for more than a decade now, it remains one of the best placed in Europe for several good reasons. These include EU membership, a benign tax regime, qualified multilingual staff, robust legislation based on English law and geographic location. I truly believe this and would not have dedicated the last ten years of my professional life to promoting the territory and its services had I not felt so strongly that we had — and continue to have — a great story to tell.

It is all about perception. In many ways, Gibraltar's fortunes as an international finance centre are aligned to the UK. After all we share a currency, interest rates and a lot more besides. Indeed when extoling the jurisdiction's virtues, part of my mantra is to remind British practitioners about its importance in this respect. Fellow local finance centre professionals will I am sure be as frustrated as I am when I hear London lawyers and others speak of "Jersey, Guernsey and the Isle of Man". "What

about Gibraltar?" I ask, sometimes to no avail. All such jurisdictions are facing new challenges from the international press and other quarters — so we must take our response seriously.

So what has changed recently and why am I so concerned? Put simply, it is the stream of lurid headlines and so-called "exposés" to which we are being treated on an ever-increasing basis. The occasional "offshore" story used to surface in times past — usually on account of the exotic nature of the location or protagonists — but this increased to a steady flow when the 2008 global financial meltdown brought unprecedented pressures to bear on government revenues worldwide and hence also on taxpayers. It has now however become a flood.

Almost every day, somewhere in the British press, one can read stories of malevolent misdoings in some shady offshore spot or of celebrities caught up in some unravelling tax shelter. There was in 2012, for instance, a front-page story in the *Times* headed "The Monaco Problem". It reported that many wealthy individuals chose the principality as a home base — admittedly saving a great deal of tax by doing so. It did not point out, however, that businesses controlled from Monaco generate billions for the UK exchequer, which otherwise might go elsewhere. These types of stories are now very common and my concern is that, without presenting the whole picture, the baby risks being thrown out with the bath water.

Few mainstream journalists or populist politicians make any effort to differentiate between completely legal "tax avoidance" and illegal "tax evasion". I am certainly not seeking to defend bad — or illegitimate — practices, but if the constant barrage of negative publicity means that even fully compliant, common sense tax planning becomes so tainted that it is no longer tolerated, that would be disastrous for international trade and investment. It would also have a huge effect on hundreds of jobs here in Gibraltar and elsewhere.

The most recent "revelations" allege that clients of a large British bank have been using its Swiss operation — with the bank's assistance — to evade their taxes. The banks own information was stolen and leaked. I am not entirely naïve dear reader and I'll admit straight away that there will be clients in that situation — and, dare I say it, in many other banks in Switzerland and elsewhere. However, recently agreed international rules on the worldwide exchange of tax information are already in place and will close the door on much of this illegal activity — and not before time I say.

A series of initiatives by several countries worldwide, including the UK, to encourage their citizens with undeclared assets to "come clean" has achieved remarkable success. I accept that the criminal community will continue to attempt to launder the proceeds of crime but they generally find the high volume, poorly regulated environments of the "onshore" financial centres much more to their liking than the smaller, more conspicuous "offshore" jurisdictions. After all it's much easier to hide in an ocean than a pond.

My concern is that if we continue to see an outpouring of negative press about international finance centres, then this will lead to yet more punitive action from the big nations. Much of this will be out of proportion in my view and will have more to do with courting public opinion, trying to squeeze out more tax dollars (or tax euros or tax pounds) and deflecting the serious issues of repeated regulatory failures in their own backyards.

What is to be done? It would be fanciful to think that these stories are going to disappear of their own accord or that world leaders will stop seeking out a soft spot for domestic political gain. The only conclusion is that we must engineer the fight back ourselves. We can do this individually as practitioners and by supporting industry and government-led bodies that have been established to promote our finance centre. Most importantly we need to focus on the areas where we can compete — or where we are clear market leaders — to differentiate ourselves from our peers.

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In our case, Gibraltar Finance, headed by the redoubtable and hugely experienced Jimmy Tipping, does an excellent job of promoting the finance industry — on which so many Gibraltarian jobs rely — around the world. Its recent mission to China is a good example of leadership and initiative. Everyone involved in the finance centre is also represented by various trade associations that can promote our specific areas of expertise to the advantage of all.

So here is my message to my fellow Gibraltar-based professionals: ask not what your finance centre can do for you, ask what you can do for your finance centre. Faced by this unrelenting tide of criticism — particularly when so much of it is misinformed or just plain wrong — we need to fight back. We all have access to social media (or at least the younger members of staff do!) and we should exploit every opportunity to set the record straight and thereby safeguard and, indeed, enhance our hard fought reputation for financial probity in Gibraltar.

A general election looms in the UK in early May and the outcome is less certain than at any time for decades. The economy is likely to be one of the main battlegrounds and the subject of tax, especially tax avoidance and evasion, promises to be high on the political agenda. Let us ensure that the message gets back that there is far more to Gibraltar — and well-regulated, transparent international finance centres in general — than we are given credit for. We don't rely on tax evasion and we are committed to helping stamp it out. In most cases, it is an issue that is being exported from the leading industrial nations.

Is offshore really 'orrible? No, it is not. We know it and have done for years. So let's go and remind the world what our finance centre is really about. ■

Ian Le Breton
is Managing Director of Sovereign Trust (Gibraltar) Limited.
Tel: +350 200 76173
Email: ilebreton@SovereignGroup.com