

# OFFSHORE, OFFSHORE, WHEREFORE ART THOU? – the world after Panama Papers.

“At the time of writing, the “Panama Papers” searchable database has just been released and the offshore world has been thrust even further into the limelight. It’s quite amazing. The way that little islands like this have gone from sleepy backwaters to repeated front page news in the last ten years or so must cause A-list celebrities to wonder who our publicist is and how they can engage his or her services. But fame isn’t all it’s cracked up to be, especially when that fame is so one-dimensional:– you are evil because I say you are and any attempt at argument or explanation just proves how evil you are. It’s starting to feel very much like a witch hunt.

I can see a direct parallel between tax evasion and drink driving; not in the offence itself but in the public attitude towards it. Forty years ago, driving under the influence of alcohol was illegal. Everyone knew it was but everyone did it anyway and if someone got caught by the police, they were regarded by their peers as simply unlucky and worthy of sympathy. Twenty years later things had changed and anyone found to be driving under the influence was regarded as a dangerous idiot, a criminal who fully deserved whatever punishment was metered out to them. Tax evasion followed a very similar path, perhaps twenty years behind. It really isn’t that long ago that almost anyone with more than a couple of coins to rub together was assumed to have something going on. It was expected of them and if they got caught it was unlucky but 'c’est la guerre'.

Not anymore. Today, tax evasion is seen for what it is, stealing. Societies evolve, attitudes evolve and any jurisdiction that wants to survive and thrive needs to evolve with them. The offshore world is not a single mass of indistinguishable outposts but a broad spectrum of jurisdictions, each with its own particular characteristics and each of which has evolved in its own way. At one end of the spectrum are those like mine that have embraced change, engaged proactively with the international community and played a full part in the drive towards the fiscal transparency that is needed to clamp down on tax evasion. At the other end are those that are in denial, clinging to the past hoping that it will all go away and need to be dragged kicking and screaming into the new realities.

The level of hysteria thrown up by the “Panama Papers” has created a huge cloud of smoke that makes it difficult to distinguish shape, form and flavour. Being a small island is proof of guilt – end of. But nothing can attract this amount of attention for ever. Sooner or later it will start to become boring and the dust will start to settle. I don’t know when but it will eventually. And when it does, you will be able to see the wood from the trees, that good and evil exist everywhere, that good does not confine itself to rich powerful nations, that evil does not confine itself to small defenceless islands and that not all small defenceless islands occupy exactly the same position on the scale of good and evil. It is this last point that I believe is critical.

It will become clear that some offshore jurisdictions are just as committed to hunting down tax evaders and money-launderers and preventing terrorist financing as are their rich, powerful, self-righteous critics; possibly more so. The offshore world will be smaller than it is today but the contraction will not be spread evenly. Law abiding, well regulated, internationally co-operative jurisdictions will survive and thrive and will continue to play an important role in international trade, finance and wealth management. Those at the other end of the spectrum will not.

I’m glad I live and work in the Isle of Man.”

**George Sharpe is Tax Manager with the Fedelta Group. Fedelta Trust Limited is regulated by and Fedelta Pensions Ltd is registered with the Isle of Man Financial Services Authority.**