

Additionally, he would have to pay taxes on income and gains since 1999 of approximately 40%. The penalty would be only 10%³¹⁸ for the years until 2009 and 20%³¹⁹ afterwards. This adds up to a payable tax due of GBP 415,299 for a normal LDF disclosure.

Finally, if Mr Thomson follows the LDF route he would be able to opt for the composite rate. In this case, the 10 year anniversary tax and the distribution to the beneficiary would be out of scope and the taxes due would come to GBP 327,102.

This case shows that Mr Thomson would have to pay taxes of 11.4% of the asset value under the LDF compared to at least 64.8% of the asset value under an ordinary disclosure.

2.4.4 Case 3

Mr Baker is domiciled and residing in the UK. He opened a Swiss bank account in 1989 in order to transfer an agency fee of GBP 10 million without declaring it. Since then, he has used the account to divert overseas sales income. He is a self-employed trader and generates GBP 120,000 in undeclared income per year. Additionally, in 1995, he inherited GBP 4.5 million and a house in Spain from his father. He transferred the entirety of the GBP 4.5 million to the Swiss account and has received rental income from the house since 1996. The assets were never declared to HMRC. The bank account accumulated income and gains of GBP 15,959,775 from 1992 to 1998, GBP 14,030,820 from 1999 until 2009 and a further GBP 8,353,545 from 2010 until 2012. Mr Baker's lawyer informed his client about the possibilities of the LDF and recommended clearing the tax situation. Mr Baker agreed, a bank account in Liechtenstein was opened and a sufficient amount was transferred in order to receive the certificate of relevance.

Table 8 Case 3 parameter

Year	Account balance	Interest and gains	Overseas sales income	Rental income
1989	GBP 10,000,000			
1995 inheritance	GBP 17,371,966	GBP 607,236	GBP 120,000	
1999	GBP 30,474,252	GBP 3,954,555	GBP 120,000	GBP 36,000
2009	GBP 40,394,517	GBP 4,311,270	GBP 120,000	GBP 36,000
2010	GBP 43,782,078	GBP 3,231,561	GBP 120,000	GBP 36,000

³¹⁸ Carrell, 2010, p. 41.

³¹⁹ Barry & Airey, 2012, p. 13.