

Table 14 Summary of the cases

	Voluntary disclosure	LDF	LDF CRO	Swiss-UK tax agreement
Case 1				
Tax burden	GBP 71,669	GBP 55,484	GBP 65,088	GBP 100,418
Portion of assets	15%	11.6%	13.6%	21.0%
Best option		Yes		
Case 2				
Tax burden	GBP 1,855,668	GBP 415,299	GBP 327,102	GBP 657,002
Portion of assets	64.1%	15%	11.4%	21.0%
Best option			Yes	
Case 3				
Tax burden	GBP 13,395,534	GBP 5,967,120	GBP 5,297,724	GBP 11,402,066
Portion of assets	27,5%	12.2%	10.9%	23.4%
Best option			Yes	

Source: Case studies in chapter 2.4 and 3.5

In case 1, the tax burden for the one-off deduction is higher than for voluntary disclosure. This is because the minimum tax rate for the Swiss-UK tax agreement is 21%. If only income and capital gains are taxed the final burden is lower, even after penalties and late payment interest are calculated. However, the tax burden from choosing the LDF is around 50% lower than for the Swiss-UK tax agreement. Thus, purely from the point of view of the tax burden, the LDF should be chosen.

In case 2, inheritance tax and higher penalties result in the highest tax burden for voluntary disclosure, particularly because of the longer timeframe. The one-off deduction associated with the Swiss-UK tax agreement results in a tax rate of 21%. Standard LDF disclosure is lower still, at 15%, and applying the CRO reduces the tax rate to around 11.4%. To conclude, the tax burden associated with the LDF option is barely half that of the one-off deduction, and should be seriously considered by Mr Thompson and his lawyer.

For case 3, voluntary disclosure is also the most costly solution for the same reasons as in case 2. Comparing the LDF and the one-off deduction produces similar results. Because of the strong provision of the asset value in the formula for the Swiss-UK tax agreement, the tax rate is relatively high at 23.4%. Since the LDF only considers interest and capital gains, the final tax burden – including penalties and late payment interest in the case of LDF with CRO – is only half that of the one-off deduction.