

## New 2008 Attack On Tax Havens

With a lead of twelve points in recent opinion poll findings, the British Tory Party is producing policy reviews that could be adopted for their manifesto - and should they win ultimately become part of a new administration's legislative programme.

One such review looks at taxation, and proposals include cutting bureaucracy and saving British business some 14 billion Sterling a year, while the review considers changes in the tax structure.

Part of this review, co-chaired by former Cabinet Minister and Welsh Minister John Redwood, proposes abolishing inheritance tax.

Inheritance tax is increasingly an issue for Britain's middle classes as property rises have risen significantly in recent years, and with the current threshold of 300,000 Sterling more and more people are having to pay inheritance tax, with popular newspapers such as the Daily Mail regularly running stories about how ordinary people are being caught up with the tax, especially in southern England where even a three bedroom semi detached house is often over 300,000. Treasury figures however indicate that only one in twenty is in excess of 300,000 in the United Kingdom as a whole. The overall impression with large parts of the electorate though is that the threshold should be raised before inheritance tax is due on an estate - making any proposal such as the Conservative Party's one to abolish inheritance tax altogether a popular one beyond the number of people it will directly affect.

If the Conservatives were to win the next British General Election, one UK company who specialises in tax haven properties says that it could affect property prices in both Andorra and Monaco, and the number of UK citizens taking residency in one of Europe's top two tax havens.

'Inheritance tax is a motivator for some people looking for a tax haven', they say, 'Some UK residents who have a property worth a million pounds and more want to try and leave that and their other assets to their children, and not to the taxman. It's not a significant number - perhaps ten per cent of our clients have this motivation - but should inheritance tax be abolished it would be enough to slow the property markets for tax havens. Andorra would be affected more than Monaco. People in their seventies with a million or two would be able to afford two bedroom apartment in Monaco, while in Andorra they could buy a house with mountain views for less - and Andorra has the same tax benefits as Monaco pretty much.'

With a new airport due to be opened in three years time fifteen minutes from Andorra, cutting the current travel time from Barcelona Airport two and a half hours away, the Andorra property market could see higher prices in the year or two ahead.

'Given that the main beneficiaries of the abolition of inheritance tax are around 5 per cent of the population, it might on the surface look like a vote winner, but it's unlikely to affect the overall result dramatically. A lot of the five per cent are in the South-East of England, and while the Conservatives might win some seats back from the Liberal Party, it's hardly traditional Labour territory, so any extra votes isn't going to change the General Election result', they add, concluding that 'If inheritance tax was a real motivator for the five per cent who fall within the category of rich enough to pay it, we would count our UK clients interested in [Andorra residency](#) and residency in Monaco in the tens of thousands instead of the thousands. For us the Tory proposals might highlight inheritance tax as an issue, but they haven't explained where they would tax to make up the deficit the Treasury would have from the abolition of inheritance tax - leaving the charge open to Labour that the Conservatives would cut public services such as pensions or health services and education.'

'The general consensus among our clients is that even if the Conservatives were to win and confound the pollsters, they would maintain and possibly increase spending at current rates, and neither Labour or the Conservatives are talking seriously of being a tax cutting party, so the likelihood is that taxes in the UK for the better off will be rising in the short and medium term, and they are making plans now.'

For Brits considering taking residency in Andorra applications need to be submitted in Catalan. A notarised copy of the applicants passport, birth certificate and a certificate of good conduct from the home country are submitted at the same time, residency normally takes between three and six months to be approved, so some planning ahead is needed to take full advantage of Andorra's tax haven status. Once residency is granted, residents are supposed to spend six months a year in Andorra, but this isn't policed.

Andorra has very similar fiscal benefits as Monaco, but property prices are around a quarter of Monaco's. Property prices in Andorra have risen by an average of ten per cent a year over the last decade, with the last two years showing particularly impressive gains of 19 and 16 per cent, as more people, particularly from the UK, have moved to Andorra. Surprisingly perhaps for a tax haven, mortgages for a property are as available as many European countries, with rates around the same level. Up to seventy per cent of a property's value is often agreed by the Andorra banks.

## About the Author

For tax haven information about Andorra visit [YourAndorra.com](http://YourAndorra.com)

Andorra is a well known ski holiday destination, and the Andorra guide includes resort information for Soldeu and [El Tarter](#) plus a choice of ski companies offering [Andorra skiing holidays](#)

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