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How overseas territories are being used to bypass UK transparency rules

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*Currently, there are multiple routes to avoid publicly declaring ownership of UK land available to those who would rather not do so. **Arun Advani, César Poux, and Andy Summers** discuss the flaws in the present system for registering such ownership, and set out measures that could partly address this lack of transparency.*

This week the **House of Commons debated** “the implementation of public registers of beneficial ownership in the UK’s Overseas Territories and Crown Dependencies”. While this sounds dry and technical, it is vitally important if we are to clean up the ownership of UK land. The core issue is that while the ownership of most UK land is publicly reported by the

land registry, currently **there are many ways to avoid this** if you have enough money.



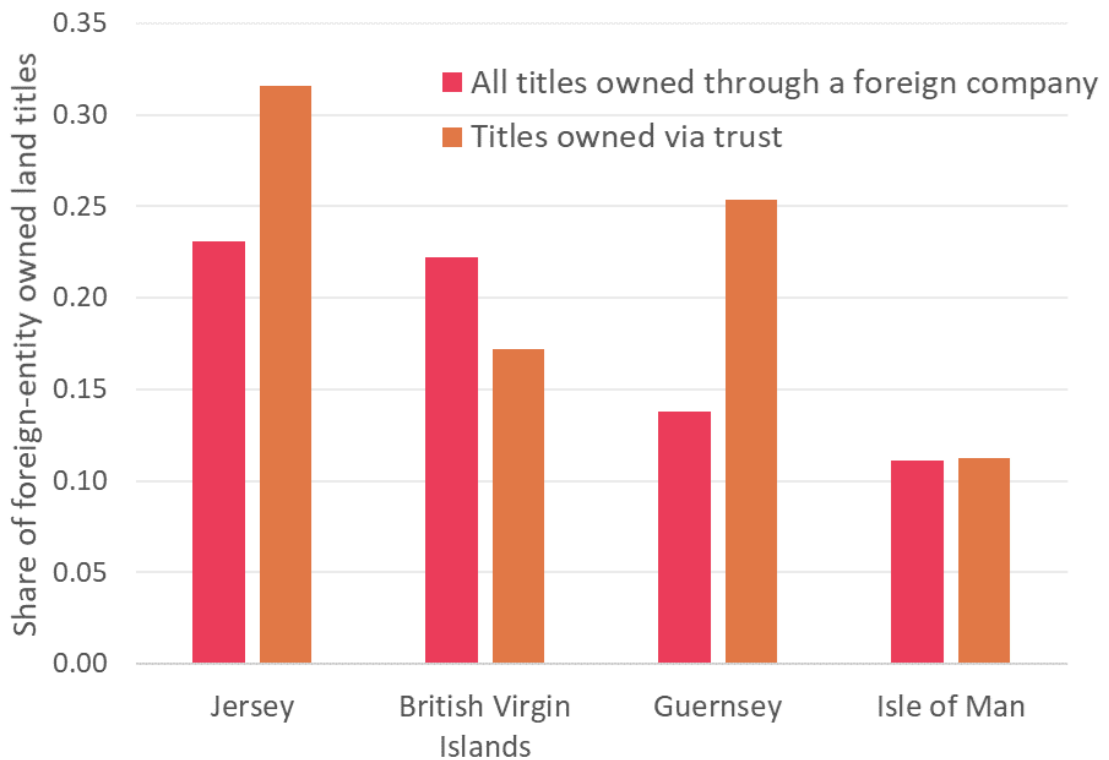
While the ownership of most UK land is publicly reported by the land registry, currently there are many ways to avoid this if you have enough money.



How are some bypassing the UK's rules?

One of the most common ways is to own UK land through a foreign company in a jurisdiction where information about who owns that company is not public. Tens of billions of pounds worth of UK land is owned through a foreign company, and more than 70 per cent of this is owned via companies in the three Crown Dependencies – Jersey (23 per cent), Guernsey (14 per cent), the Isle of Man (11 per cent) – plus one of the Overseas Territories, the British Virgin Islands (22 per cent).

Figure 1: Share of UK land titles owned by foreign companies, by country of foreign company



Share of UK land titles owned by foreign companies, by country of foreign company

Recent reforms to the reporting of UK land ownership introduced a Register of Overseas Entities, which in principle requires the *beneficial* owner – an actual person – to be reported in the UK, where the direct owner is an overseas company. However, the register is riddled with holes.

The case for beneficial ownership registers

One such hole, which accounts for **63 per cent of cases where beneficial ownership information is not publicly reported**, is the use of trusts. Trust arrangements allow someone to benefit from the assets owned by a company without themselves being the owner of the company. The Crown Dependencies and Overseas Territories are again heavily implicated here. Over 85 per cent of all trust arrangements come from the top four: Jersey (32 per cent), Guernsey (25 per cent), British Virgin Islands (17 per cent) and Isle of Man (11 per cent). While the UK register

could have been designed better, its operation is not helped by the lack of transparency in the Crown Dependencies and Overseas Territories.



The two years following the Russian attack on Ukraine have made it very plain: without beneficial ownership registers, comprehensively enforcing sanctions is impossible.



Beneficial ownership registers of companies would have wider benefits beyond UK land. They would ensure ownership of other assets, such as private jets and ships, were more transparent. The two years following the Russian attack on Ukraine have made it very plain: without beneficial ownership registers, comprehensively enforcing sanctions is impossible.

Creating a company in the UK comes with legal obligations that include making beneficial ownership known. It is right for the UK to insist that these standards are applied in the Crown Dependencies and Overseas Territories as well, to avoid undermining our own regime.

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