

Tax change may force Greeks to set sail from UK

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Removing non-domicile status from shipping dynasties could reduce revenues by \$144m, writes **Christopher Swann**

Greek shipping magnates living in London are letting it be known that they will quit the capital if the government scraps a loophole that allows overseas citizens living in the UK to avoid tax.

The publicity-shy coterie of shipowners say they will not lobby the government directly but will simply depart if the rules on non-domicile status are changed.

While the so-called London Greeks – including Epaminondas Embiricos, John L. Goulandris, Spyros Polemis and Stathes Kulukundis – represent just a small fraction of the 60,000 overseas nationals who qualify for the tax privilege, they are seen to be among the most economically significant.

This is not simply because of the scale of their fortunes – although several are thought to count their wealth in hundreds of millions. Instead it is because their departure, according to

the Baltic Exchange, the international shipping exchange, could spell the end of London's maritime service sector, which contributes about £1bn (\$1.4bn) a year to Britain's export earnings.

Informal briefings with members of the Greek shipping community suggest they are not bluffing.

While many Greek shipping dynasties have been based in London for generations, the rules on non-domicile status are a key reason why so many have stayed in the UK.

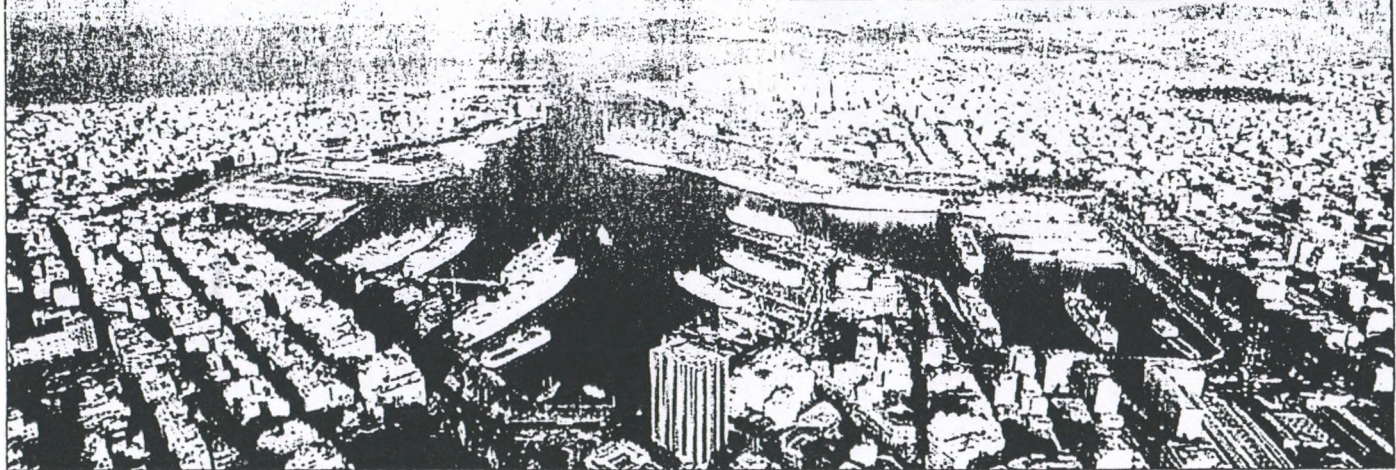
Under the current rules, the profits on shipping companies owned by the London Greeks are not subject to tax in the UK.

Typically, Greek shipowners will have only agencies – which find cargoes for ships – in London, with the ships themselves owned through offshore companies, often in Liberia, Malta or Panama.

"You will never meet a

Sea change

The rise of Piraeus, the port of Athens, could make it easier for London Greeks such as (left to right) Spyros Polemis, Epaminondas Embiricos and Stathes Kulukundis to leave the UK.



Greek in London who admits to being a shipowner – instead they call themselves agents," said one shipping adviser.

If the non-domicile rule were changed, Greek shipowners would be obliged to declare and pay tax on profits earned outside the UK, even if they accrued it in tax havens.

The threat to leave is made more plausible by the fact that it is relatively easy to avoid paying tax on shipping elsewhere in the world. Unlike a factory, a cargo

ship does not have an obvious place of residence for tax purposes. As a result it has always been hard to tax the industry.

"Because shipping is essentially tax-free, operating in a regime that does impose tax would quickly put you at a competitive disadvantage and drive you out of business," said a Greek shipping agent.

The rise of Piraeus, the port of Athens, as a maritime service centre, would also make it easier for the Greeks to desert London.

"Until about five years ago the telephone systems in Piraeus were so inadequate that it would have been very difficult for a shipping company to talk to their clients – big oil companies in London and New York," said one shipping expert. "Now Piraeus not only has a good communications network but also a network of shipping services, with lawyers, chartering, insurers and engineering consultants."

High costs in London have already caused Greek shipowners to scale back their

offices in the UK, with more functions being carried out in Greece.

One shipping agent said the mere threat of a change to the rules could be sufficient to encourage some to shift the centre of gravity of their business to Greece.

"I think that in the end the government will back down as they have before," he said. "But the mere threat may serve as a reminder of the disadvantages of trading out of London."

Experts say that any

attempt to tax the London Greeks would actually reduce tax revenues.

Although London shipping agencies are estimated to employ about 1,500 directly, the Baltic Exchange says their departure could put 4,500 jobs at risk because of the knock-on effect on the maritime service sector.

A report by Cambridge University's department of applied economics estimated that the net result for the Treasury would be a decrease in tax revenues of £100m.