BLICK ROTHENBERG
Chartered Accountants

Offshore Disclosure Facility

The opportunity to disclose should not be ignored

It has been widely reported in the press that the Government is investing significant resources to fund the fight against tax evasion.

HM Revenue & Customs (HMRC) has set up a dedicated Offshore Co-ordination Unit (OCU) to coordinate the activity and David Cameron is calling on all EU member states to sign bilateral agreements which would allow the UK to obtain details of UK residents who have foreign-based banks accounts.

Agreements have already been signed with the US, France, Germany and Spain, and Britain has also reached specific agreements with Liechtenstein, the Isle of Man, Jersey and Guernsey, as well as with Crown Dependencies such as the Cayman Islands, Anguilla, Bermuda, the British Virgin Islands Montserrat and the Turks and Caicos Islands. HMRC's approach to offshore accounts is to reduce the opportunities for tax evasion and increase the likelihood of evaders being detected. The principal aim of the OCU's offshore strategy is to ensure that there are no jurisdictions where UK tax payers feel safe to "hide" their income and assets from HMRC.

Today HMRC is better informed, with access to internet search facilities and sophisticated software enabling inspectors of taxes to link all sources of information. Historically, offshore accounts and other complex arrangements were shrouded in secrecy, so some people thought they could avoid their UK tax obligations by not declaring their income from these sources. With the huge and ever expanding range of data available to HMRC, including details of sources of income, those days are rapidly disappearing.

By 2014/15, HMRC expects to have invested over £900m in the fight against offshore avoidance, evasion and fraud. The anticipated tax recovery is £9bn, including £5 billion from the UK-Swiss agreement, £3bn from the Liechtenstein agreement and £1bn from the agreements with Jersey, Guernsey and the Isle of Man.

The Liechtenstein Disclosure Facility was introduced in September 2009 and runs until 5 April 2016. The facility offers people with unpaid taxes linked to offshore accounts or assets the ability to settle their tax liabilities voluntarily before 5 April 2016. To date, disclosures under this facility are approaching 5,000. The disclosure period for a tax payer can never be earlier than 6 April 1999 and in most cases will run from April 1999 to the date of disclosure. This facility is unique in that it provides protection from criminal prosecution and in some cases can provide protection from an undeclared inheritance tax liability and VAT liability. It also enables tax payers to declare any other irregularities in their tax affairs.

The agreements with Jersey, Guernsey and the Isle of Man are broadly based on the Liechtenstein agreement but there is no protection from criminal prosecution. The facilities are available from 6 April 2013 to 30 September 2016.

The UK-Swiss Tax Cooperation Agreement relates specifically to assets in Switzerland. It deals with past evasion with a one-off payment calculated on a capital value basis as opposed to income/gains generated, which may be expensive in most cases. It imposes a withholding tax on future investment income and gains arising in Switzerland. It does not deal with irregularities in other jurisdictions. The capital payment was taken on 31 May 2013.

UK tax payers with undeclared income or gains need to take advice on the most appropriate disclosure facility to suit their needs.

The message to those with undeclared offshore monies is clear - with increasing ability to detect hidden income, assets and gains, and with the consequences of detection being penalties of up to 200% of the evaded tax, together with possible criminal prosecution, the time to disclose is now – there are no safe havens.

Last updated: 07/03/2016

For more information, please contact:

Gary Gardner
Partner
+44 (0)20 7544 8784
gary.gardner.com

Independent Member of BKR INTERNATIONAL

Blick Rothenberg LLP
16 Great Queen Street
Covent Garden
London WC2B 5AH

Blick Rothenberg LLP is authorised and regulated by the Financial Conduct Authority to carry on investment business.

www.blickrothenberg.com