

Offshore disclosure facility – “Tax amnesty”

This statement has been prepared by Chavereys solely for the purpose of making you aware of the substance behind recent reports in the national media.

HM Revenue & Customs announced on 17 April an offshore disclosure facility and has set up a new section of its website www.disclosures.hmrc.gov.uk/oaics/ to deal with disclosure queries.

Background

HM Revenue & Customs has been concerned for many years that tax revenues of at least £1 billion have been lost on unreported offshore income and gains.

The concern of the authorities relates to unreported interest on offshore accounts and income (for example rent) and gains arising on offshore assets, the proceeds of which have been deposited in the offshore accounts.

Facility

The facility enables anyone who comes forward within the relevant time limits to benefit from a 10% fixed rate of penalty on tax arising from undeclared income and gains - an “amnesty” on the potential tax penalty rather than on the tax itself.

Key dates

22 June 2007	An intention to make a disclosure must be registered with HM Revenue & Customs.
26 November 2007	Actual disclosure must be submitted of undeclared income and gains and payment made of tax plus interest, potentially covering 20 years to 5 April 2006.
30 April 2008	HM Revenue & Customs will advise if disclosures have been accepted or rejected

Details of all undisclosed income and gains giving rise to a UK tax liability for the 20 years from 6 April 1986 to 5 April 2006, onshore as well as offshore, must be included otherwise the penalty restriction may be forfeited.

If no action is taken and HM Revenue & Customs undertakes a successful enquiry then penalties of up to 100% of the tax arising could be applied plus, in certain circumstances, criminal charges.

PAYE, VAT, Inheritance Tax and Tax Credits affected by offshore operations all fall within the disclosure facility.