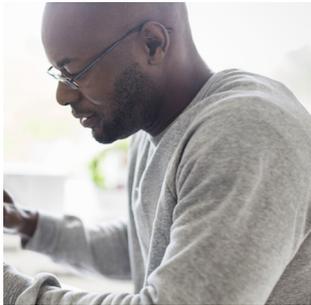




HM Revenue
& Customs

Do you have any offshore income or assets?

If you do, you may need
to notify HMRC before
30 September 2018.



Who should read this

You should read this if you have UK tax to pay and have overseas income or assets that you haven't told HMRC about, or transferred income abroad without paying UK tax on it. This information will help you understand what you need to do to bring your tax affairs up to date.

Bringing your tax affairs up to date now can help you avoid much higher penalties that are being introduced on 1 October 2018.

HMRC has introduced new legislation called the Requirement to Correct (RTC). This requires UK taxpayers to make sure that all their foreign income and assets, where there might be tax to pay, have been declared to HMRC before the 30 September 2018.

From the 1 October 2018, new, substantially higher penalties will apply for those who have failed to pay all the tax due on foreign income and assets.

To avoid these new penalties, action must be taken now.

The vast majority of people and businesses pay the right amount of tax. The requirement to correct legislation is aimed at those who fail to pay tax on their offshore income or assets.

If you are concerned that you haven't told HMRC about foreign income or assets, or that you have transferred income abroad without paying the UK tax on it, you should contact HMRC before the 30 September 2018 to tell them that you will be making a disclosure. Provided you notify HMRC by 30 September of your intention to use HMRC's Disclosure Facility, you can have more time to send in the completed disclosure.

If either of these deadlines are missed the new, higher penalties would be charged.

Go to www.gov.uk/guidance/worldwide-disclosure-facility-make-a-disclosure or go to www.gov.uk and search for 'Worldwide Disclosure Facility'.

You could also consider taking independent professional advice before deciding what to do next.

If you are confident your tax affairs are in order, then you do not need to worry.

What are offshore income or assets?

Income is considered to be “offshore income” if it comes from a territory outside of the United Kingdom. It includes:

- interest from overseas bank and building society accounts
- dividends and interest from overseas companies
- rent from overseas properties or if you rent out your UK property whilst living in another country
- wages, benefits or royalties earned outside of the UK.

There is nothing wrong with having investments overseas as long as you correctly pay any tax due on the money invested and on the interest arising from it. Learn more about offshore income and assets at

<https://www.gov.uk/government/publications/ten-things-about-offshore-assets-and-income>

What taxes are included?

The Requirement to Correct applies to Income tax, Capital Gains Tax (including Non-residents CGT) and Inheritance Tax.

What offshore activities can result in tax needing to be paid?

You may not realise that some straightforward actions, such as renting out a property abroad or transferring income or assets from one country to another, could mean paying tax in the UK. This includes having income from or an asset in the Channel Islands, Isle of Man, the Republic of Ireland, the EU or anywhere else in the world.

These must all be declared to HMRC.

Why should I do anything?

HMRC is exchanging information on the financial accounts of individuals, trusts and businesses with more than 100 other countries. It will be far easier to find those who have not paid the correct tax on their offshore income and assets.

This is the final opportunity to make a disclosure before penalties rise.

If you make a disclosure in relation to foreign income or gains (or HMRC find out about your foreign income or gains) after the Requirement to Correct deadline of 30 September 2018, you will be subject to much tougher Failure to Correct penalties.

What do I need to do now?

If you think that you have not told HMRC about UK tax due on foreign income or gains, or that you have transferred UK income abroad without paying the UK tax on it, you should tell HMRC before 30 September that you need to make a disclosure.

If you choose to use HMRC's Worldwide Disclosure Facility to make a disclosure you can have more time. Contact HMRC by 30 September 2018 to tell them you will be disclosing. You then have 90 days from the date you notify HMRC to make the disclosure itself. If either of these deadlines are missed the new, higher penalties would be charged.

For further guidance on how to inform HMRC via the Worldwide Disclosure Facility, including how to register and when payment is due go to: www.gov.uk/guidance/worldwide-disclosure-facility-make-a-disclosure or go to www.gov.uk and search for 'Worldwide Disclosure Facility'.

What are the benefits of coming forward now?

If you use the Worldwide Disclosure Facility to disclose foreign income and gains, which you have previously decided not to declare, before 30 September 2018, you would possibly only pay a penalty of around 30% of the tax due. If you make a disclosure after 30 September, the minimum penalty will be 100% of the tax due.

What are the new penalties?

From 1 October 2018 tougher penalties will apply to offshore non-compliance.

The Failure to Correct penalties are:

- a penalty of 200% of the tax owed - this may be reduced to a minimum penalty of 100% of the tax owed, depending on taxpayer cooperation with enquiries and the quality of disclosure
- an asset-based penalty of up to 10% of the underlying asset for serious cases (i.e. where the tax involved exceeds £25,000 in any tax year)
- an additional penalty (an additional 50% of the first penalty) for situations in which HMRC can show the taxpayer moved their assets to avoid reporting.

In addition to the penalties, you would also have to pay any outstanding tax and interest. This means, for example, if you owe £10,000 in tax now, your total bill for a disclosure made before the deadline would be around £13,000 plus statutory interest.

In comparison, if you wait, a disclosure or discovery after 1 October 2018 will result in a total bill of at least £20,000 plus statutory interest.

Where can you get more information?

Technical guidance on the Requirement to Correct for agents and advisors can be found at <https://www.gov.uk/guidance/requirement-to-correct-tax-due-on-offshore-assets>

If you wish to speak to an HMRC advisor you can obtain general information by calling **0300 322 7012**.

The telephone line is open

- Monday to Thursday 9am to 5pm
- Friday 9am to 4:30pm

If you wish to send in written correspondence it should be addressed to:

HM Revenue and Customs
Individual & Small Business Compliance
(Campaigns & Projects) (S1250)
PO Box 4362
NEWCASTLE
NE98 1ZZ



Example 1 - Offshore non-compliance Income tax

Alan has received cash payments whilst running his business in the UK. He has failed to declare these cash receipts and instead has opened a bank account overseas and paid the money into that account as it arose.

He has also received interest on his overseas bank account but he has not declared this income to HMRC. He has submitted inaccurate tax returns for each tax year from 2011 to 2012 through to 2015 to 2016.

The failure to declare the interest on the overseas bank account is non-compliance involving an offshore matter as it is income arising from a source in a territory outside the UK.

The failure to declare the cash receipts is not an offshore matter, but it is an offshore transfer because the money was transferred abroad before 6 April 2017.

Both the failure to declare his cash receipts and the bank interest must be corrected under the RTC rule.

As this was a deliberate attempt to suppress sales, all years' liabilities will be due. If Alan discloses the outstanding tax via the Worldwide Disclosure Facility and the outstanding liability was £20,000, he would have to pay the outstanding tax, statutory interest and a penalty of a minimum of 30% and maximum 70%. This would generate a bill of between £26,000 and £34,000 plus interest.

If Alan waits until after 30 September 2018 and is caught through an exchange of data with HMRC, then Alan would have to pay a minimum penalty of 100% and maximum of 200%. This would generate a bill of between £40,000 and £60,000 plus interest.

If Alan had also moved the money to different countries to try to avoid being caught by data sharing agreements, he could be liable to pay further penalties (depending on the facts of the case) adding a further 50% penalty to the total, meaning a potential total bill of £80,000 (plus statutory interest).



Example 2 - Offshore non-compliance Income tax and Capital Gains Tax

Emma has a holiday home in Spain. In 2008 to 2009, Emma started to rent out the holiday home during periods when she was not using it. The income she received from the rental of this property was never declared to HMRC because she mistakenly believed she did not need to pay UK tax on overseas income or gains.

In tax year 2012 to 2013, Emma sold her property, making a £200,000 gain on the sale. This was not declared to HMRC either.

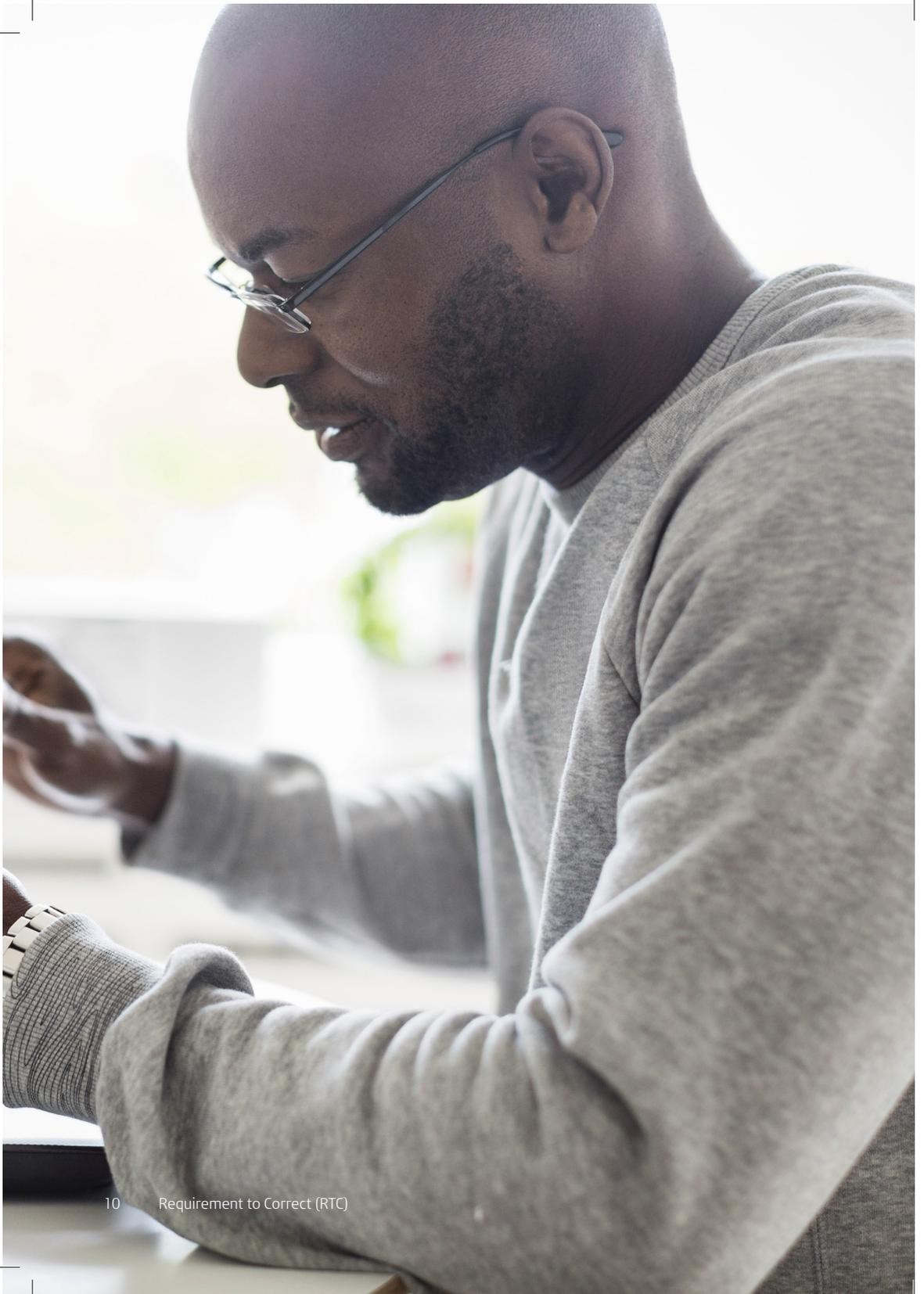
The failure to declare the rental income on the overseas property is non-compliance involving an offshore matter as it is income arising from a source in a territory outside the UK.

The failure to declare the gain from the sale of the property is also an offshore matter as it is a gain arising on an asset held in a territory outside the UK.

Both the failure to declare her rental income and the gain from the sale of the property are offshore matters and must be corrected under the RTC rule.

As the failure was not deliberate, Emma would have to pay a failure to notify penalty of between 10% and 30% of the tax due. So if the total liability was £60,000, Emma would have a bill of between £66,000 and £78,000 (plus statutory interest) if she comes forward herself and discloses via the Worldwide Disclosure Facility on or before 30 September 2018.

If HMRC discover the failure on or after 1 October 2018, the penalty figure will be between 100% and 200% to give a liability of between £120,000 and £180,000 (plus statutory interest).



Example 3 - Offshore non-compliance Inheritance tax

Peter was domiciled in the UK at the time of his death on 1 June 2012. Peter's son Henry was his sole heir and executor of Peter's estate. Peter's estate which was inherited by Henry included £200,000 in a bank account in the Cayman Islands.

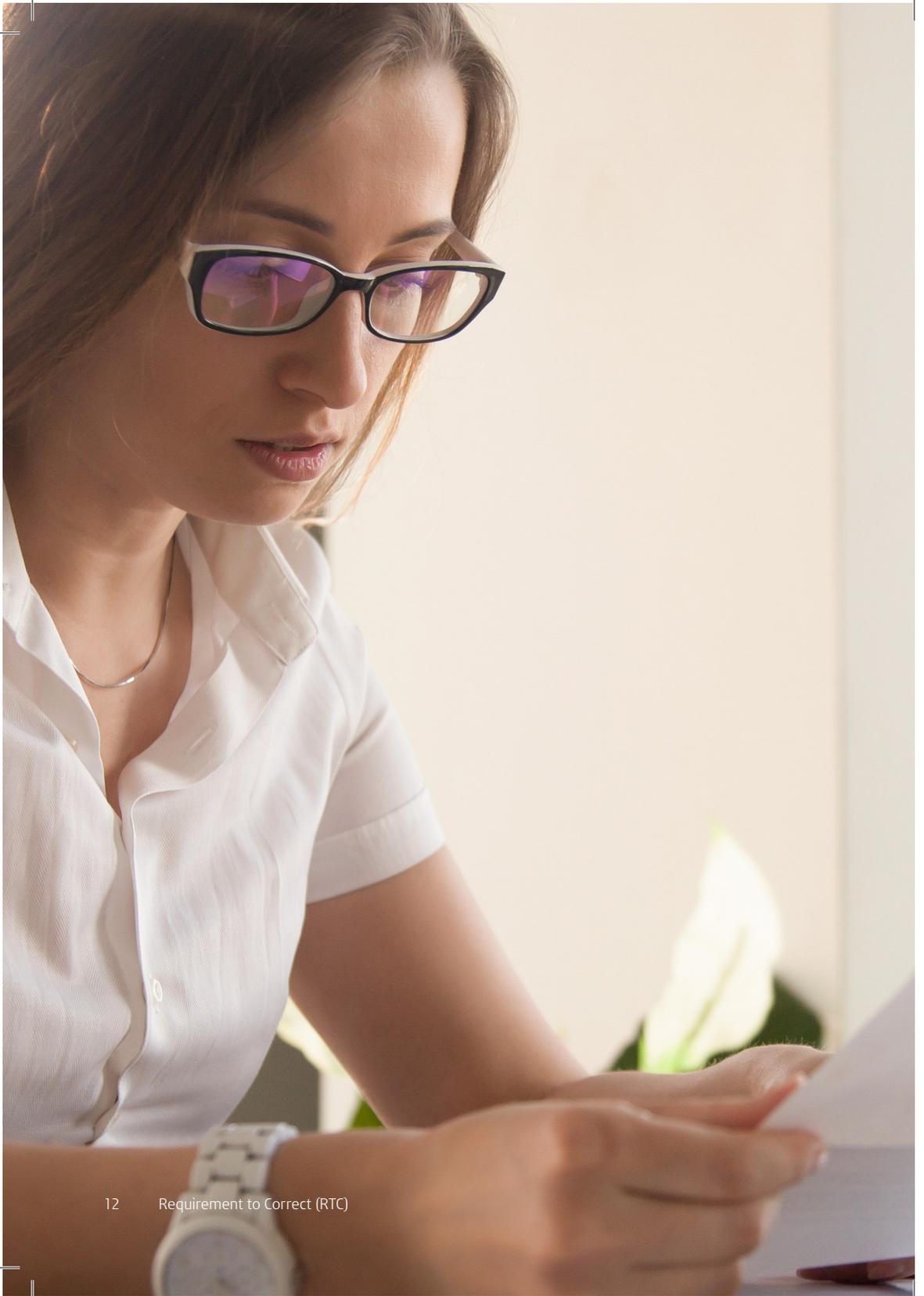
As part of his inheritance, Henry took control of the account following Peter's death. Henry did not disclose the money in the Cayman Islands as part of Peter's estate when it was declared to HMRC.

Henry's failure, as executor, to disclose the cash as part of Peter's estate is an offshore matter as the property was held in a territory outside the UK.

The failure to declare the property as part of Peter's estate must be corrected under the RTC.

As this is a deliberate attempt to avoid tax, Peter would have to pay a penalty for inaccuracies of between 30% and 70% of the tax due. So if the total liability was £80,000, Peter would have a bill of between £104,000 and £136,000 (plus statutory interest) if he comes forward himself and discloses via the Worldwide Disclosure Facility on or before 30 September 2018.

If HMRC discover the offence on or after 1 October 2018, the penalty figure will be between 100% and 200% to give a liability of between £160,000 and £240,000 (plus statutory interest). In addition, as the tax due in a single year is over £25,000 an additional asset-based penalty will be due, which charges 10% of the value of the asset. In this case a further penalty of up to £20,000 would be due, leaving a potential final bill of £260,000 (plus statutory interest).



Example 4 - Offshore non-compliance Non-resident landlord

Clare moved to Switzerland in 2011 but owns a number of UK properties that she rents out through a letting agent. The letting agent deducts basic rate tax and passes the balance of the rents to Clare.

HMRC have served Clare a notice to complete a tax return every year from 2011 to 2012 through to 2015 to 2016, but Clare has not completed the returns and has not therefore accounted for the further tax that is due.

Clare's failure to submit her returns is non-compliance involving an offshore transfer as the income from a UK source has been transferred to Switzerland before 6 April 2017.

Clare's failure to submit her return must be corrected under the RTC.

As this is a deliberate attempt to avoid tax, Clare would have to pay a failure to notify penalty of between 30% and 70% of the tax due. So if the total liability was £10,000, Clare would have a bill of between £13,000 and £17,000 (plus statutory interest) if she comes forward herself and discloses via the Worldwide Disclosure Facility on or before 30 September 2018.

If HMRC discover the offence on or after 1 October 2018, the penalty figure will be between 100% and 200% to give a liability of between £20,000 and £30,000 (plus statutory interest). If Clare was found to have deliberately moved the money to different countries in an attempt to avoid her information being shared with HMRC, a further 50% penalty may be charged, leaving a final bill between £25,000 and £40,000.

If Clare decided to set up a Swiss company to own the UK properties that were rented out through the letting agent, the Requirement to Correct would apply in the same way to the further income tax due.



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