



HM Revenue  
& Customs

# Helping taxpayers get offshore tax right

**Discussion document**

Publication date: 23 March 2021

Closing date for comments: 15 June 2021

# Summary

## Subject of this discussion

This document seeks views on ways to help taxpayers get their offshore tax right first time.

## Scope of this discussion

We would welcome views on how best to ensure offshore tax compliance and prevent mistakes.

## Who should read this

We would like to hear from taxpayers, agents, representative bodies, professional bodies, businesses, education institutions and other interested parties.

## Duration

12 weeks starting from 23 March 2021 to 15 June 2021.

## Lead official

Iain Mottram, HM Revenue and Customs

## How to respond or enquire about this discussion

Please email responses to [consult.nosafehavens@hmrc.gov.uk](mailto:consult.nosafehavens@hmrc.gov.uk)

## Additional ways to be involved

HMRC welcome meetings with interested parties to discuss the issues and proposals set out in this paper. Please contact [consult.nosafehavens@hmrc.gov.uk](mailto:consult.nosafehavens@hmrc.gov.uk) to discuss.

## After the discussion

All responses will be reviewed and subject to comments received we may carry out formal consultation on measures that are identified.

## Getting to this stage

At Spring Statement 2019 the Government published its strategy for offshore tax compliance, No Safe Havens 2019. This strategy set out how HMRC will tailor our approach, helping taxpayers get offshore tax right first time where possible. Where HMRC intervene, we will use an approach that is appropriate and proportionate to the tax at risk and the taxpayer's behaviour.

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# 1. Introduction

## Offshore definitions

HMRC define '**offshore income**' as income that comes from a jurisdiction outside the United Kingdom. It includes:

- interest from overseas bank or building society accounts
- dividends and interest from overseas companies
- rent from overseas properties

'**Offshore tax**' is UK tax that is due on non-UK income, gains (such as proceeds from the disposal of offshore rental property) or transfers.

'**Assisting offshore tax compliance**' means helping taxpayers who have activities or assets situated outside the UK get their tax right.

**1.1** The vast majority of UK taxpayers comply with their tax obligations and pay the right amount of tax at the right time. As a result, the tax gap, which is the difference between the amount of tax that should be paid to HMRC and what is actually paid, is at a record low of 4.7%.<sup>1</sup> HMRC have had particular success acting against those who have sought to avoid or evade their offshore tax obligations or helped others to do so. Since 2010, the UK Government has secured and protected over £3 billion from initiatives focused on offshore non-compliance.

**1.2** HMRC's strategy<sup>2</sup> is to promote tax compliance and prevent non-compliance as early as possible in each customer's relationship with us, while responding strongly to deliberate non-compliance. We know that the best way to tackle non-compliance is to prevent it happening in the first place, while cracking down on the minority who break the rules. Therefore, we:

- promote good compliance by designing it into our systems and processes, enabling customers to get their affairs right from the outset;
- prevent non-compliance by using the data we receive to spot mistakes before the return is final, preventing fraudulent claims, personalising online services and automating calculations; and
- respond to non-compliance by identifying and targeting the areas of greatest risk and using tough measures to tackle those who deliberately try to cheat the system.

**1.3** This approach applies to tax due on offshore assets and income in the same way as it does to tax due on UK sources of income. HMRC published our 'No Safe Havens' offshore tax compliance strategy in 2019 which reflects this wider HMRC strategy.<sup>3</sup>

**1.4** This approach is even more important in the context of the recent COVID-19 pandemic which has shown the importance of HMRC working hand in hand with third parties, as well as directly with taxpayers, to keep dealings with HMRC as simple as possible. It has also highlighted the importance of having up to date, robust data.

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<sup>1</sup> [Measuring Tax Gaps 2020 Edition](#) – Key Findings, page 5. HMRC: 17 July 2020

<sup>2</sup> [HMRC Strategy](#) HMRC: 20 July 2017

<sup>3</sup> [No Safe Havens 2019](#) – Assisting Compliance, page 13. HMRC: 13 March 2019

**1.5** This discussion document explores how HMRC can help taxpayers get their offshore tax right first time. This includes considering what may cause taxpayers to make common errors, and the document offers some initial ideas on how we might address those issues. A key part of our suggested approach involves making use of the offshore data we receive in different ways to help people get their offshore tax right first time. This could be by personalising tax returns, removing opportunities to get it wrong, or by sharing data and contacting taxpayers, and their advisers, earlier to prevent non-compliance before it happens. As we learn more about the reasons people sometimes get things wrong with their offshore tax affairs, we are keen to use this learning to support taxpayers as much as possible.

**1.6** UK residents must usually pay UK tax on their worldwide income and gains. However, some taxpayers get things wrong, due to mistakes, because they do not get appropriate advice when needed, or because of the complexity of their tax affairs. There are also certain times in a taxpayer's life when further complexities arise, such as marriage and divorce or death and bereavement, which can impact on offshore tax liabilities.<sup>4</sup>

**1.7** Errors, including those involving offshore tax, account for 10% of the overall UK tax gap and result from mistakes made in preparing tax calculations, completing returns or in supplying other relevant information, despite the taxpayer taking reasonable care. Failure to take reasonable care accounts for 18% of the overall UK tax gap and results from a taxpayer's carelessness or negligence in adequately recording their transactions or in preparing their tax returns. These behaviours combined account for 28% of the overall UK tax gap.<sup>5</sup>

**1.8** Offshore tax non-compliance that is not deliberate can be caused by a range of factors including:

- Not being aware of offshore tax obligations.
- Guidance and communications relating to 'offshore income' not being relevant or clear.
- Reliance on anecdotal evidence or out-of-date advice.
- Not asking for help and support until the tax return is due

**1.9** This means that some taxpayers inadvertently declare less (or sometimes, more) tax than they should, resulting in intervention by HMRC and penalties potentially being payable by the taxpayer. It is up to each taxpayer to check they are getting their tax right, but there may be more that HMRC can do to help them ask the correct questions when considering their tax affairs. Therefore, we focus the discussion in this document on three areas:

- Firstly, how HMRC could use data in different ways to help taxpayers get their tax right
- Second, how HMRC could better support taxpayers with their offshore tax obligations.
- Third, how HMRC could work with agents and intermediaries to help promote offshore tax compliance amongst taxpayers.

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<sup>4</sup> [OTS Life Events Review: Simplifying tax for Individuals](#) – Office of Tax Simplification: 10 October 2019

<sup>5</sup> [Measuring Tax Gaps 2020 Edition](#) – Tax gap by behaviour, page 13. HMRC: 17 July 2020

**1.10** We have set out what we see as the key issues and have included some high-level ideas to improve offshore tax compliance. In addition to the specific questions listed throughout this document, we would welcome your views on:

- the causes of offshore tax non-compliance;
- the possible approaches suggested to help get offshore tax right first time; and
- further ideas to improve offshore tax compliance.

**1.11** This discussion is an opportunity for early engagement in the development of new ideas to help taxpayers get their offshore tax right. While this document does not address deliberate avoidance and evasion, we continue to respond robustly where people have sought to avoid or evade tax or helped others to do so, for example through the strategy published on 19 March 2020 – Tackling promoters of mass marketed tax avoidance schemes.<sup>6</sup>

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<sup>6</sup> [Tackling promoters of mass marketed tax avoidance schemes](#) HMRC: 23 March 2020

## 2. Using data to promote offshore tax compliance

### Key International Data Sharing Agreements

- Common Reporting Standard (CRS)
- Foreign Account Tax Compliance Act (FATCA)

**2.1** In recent years HMRC have had significant success in using data to find those who have not declared the correct amount of UK tax and to then intervene appropriately and collect the additional tax due. As a result of these interventions HMRC have protected £3.3 billion of tax, including both onshore and offshore tax, in 2017 to 2018 alone.<sup>7</sup>

**2.2** This approach relies upon HMRC identifying non-compliance and intervening after it has happened. However, we know that the best way to tackle non-compliance is to prevent it happening in the first place. To build on the effective compliance work to date, there are opportunities to more frequently use data to help people get their offshore tax right by personalising returns, designing out opportunities to get it wrong, and intervening early to prevent non-compliance before it happens. ‘Offshore data’ in this context refers to all data and intelligence that could help with improving offshore tax compliance.

### Sources of offshore data

**2.3** International developments, championed by the UK, have resulted in dramatic improvements in international tax transparency. HMRC now receive increasing amounts of offshore data each year under various data sharing agreements, such as the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA). HMRC also request data from other jurisdictions to help with specific tax enquiries as well as intelligence on possible tax non-compliance.

**2.4** The CRS is the most comprehensive international agreement, under which over 100 jurisdictions have committed to automatically exchange financial account information. In 2019, HMRC received information on 7.6 million offshore financial accounts held by UK resident individuals, and the entities they control.

**2.5** These agreements contain rules about confidentiality and the use of data to ensure that taxpayers’ interests are protected. In addition, HMRC are also subject to stringent UK legislation covering data security. This discussion document will not consider changes to this framework of safeguards but considers how to use the data effectively and appropriately within this existing framework to improve offshore tax compliance.

**2.6** The UK continues to be at the forefront of new international developments which will increase co-operation between jurisdictions. HMRC work with international partners and the Organisation for Economic Co-operation and Development (OECD) to identify new areas where exchange of information would be useful, and ensure the information is exchanged securely, and is of the highest possible quality. For example, HMRC worked with the OECD

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<sup>7</sup> [No Safe Havens 2019](#) – Responding Appropriately, page 17. HMRC: 13 March 2019

to develop the Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures.

**2.7** We have also worked with the OECD to develop a set of model reporting rules for adoption by jurisdictions which require digital platforms in the gig economy to collect information on those who provide services through the platform. This information will be reported annually to tax authorities and exchanged under treaty. The objective of the rules is to ensure that tax administrations get timely access to high quality information on the potentially taxable income earned by those providing services through digital platforms. The OECD ran a public consultation on the draft model rules and commentary and these have now been finalised.<sup>8</sup>

## Using data

**2.8** Our aim is to use data earlier on in the registration and self-assessment process to help people get their offshore tax right first time. By using data in different ways and intervening earlier in the process, we can help raise taxpayers' awareness of their offshore tax obligations and prevent common mistakes from occurring. This would create a better experience for taxpayers and better tax compliance. For example, providing taxpayers with help in real time, as they completed their tax return, could help them get their tax right and minimise the likelihood of any follow up intervention from HMRC. This would help HMRC concentrate efforts on those who deliberately seek to abuse the tax system.

## Helpful information for taxpayers

**2.9** There are numerous ways that offshore data could be used to promote compliance and prevent non-compliance. Possible approaches, some of which are explored more in later sections of this paper, include using the data to:

- Remind taxpayers of the requirement to notify chargeability.
- Remind taxpayers when we send them a notice to file a tax return that they have assets or income overseas.
- Remind taxpayers when they are completing their tax returns, using online prompts, that we collect data which may detail their offshore assets. We might also remind taxpayers to declare income and gains from the assets we know they hold in particular countries.
- Tell agents, who have been authorised by their clients to receive information from HMRC, about the information we hold on their clients' offshore income or assets.

These ideas are shown in Figure 1, below.

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<sup>8</sup> [Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy](#)



**Figure 1 – Using offshore data to prevent non-compliance**

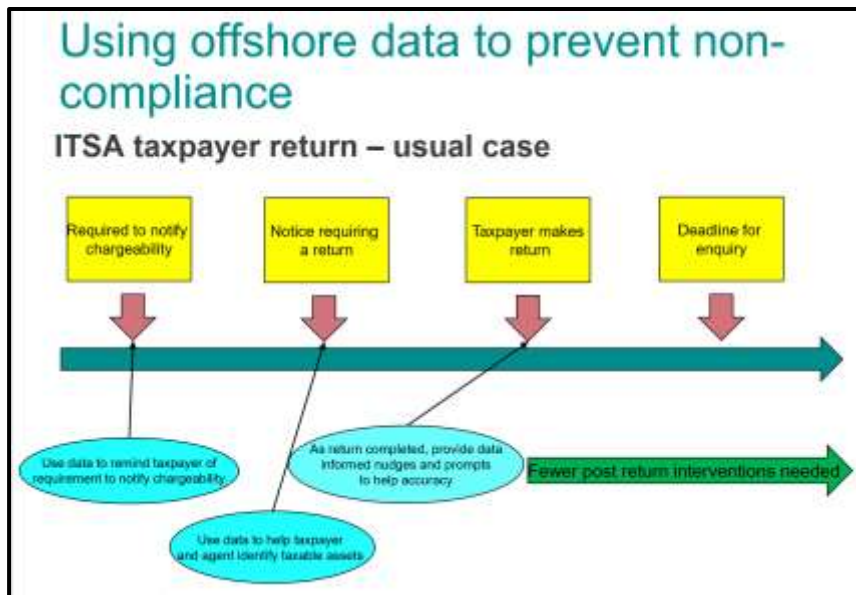


Figure 1 – This diagram shows how HMRC aim to use data earlier on in the registration and self-assessment process to help people get their offshore tax right first time. This is set out in section 2.9 above.

Additional ways data may be used, is to:

- Identify trusts where an inheritance tax 10-year anniversary charge may be due so a reminder can be sent to the trustees.
- Help people who are managing a deceased person’s estate and are required to complete inheritance tax forms, by providing them with HMRC’s information on offshore assets held by the deceased.

**Q1. How do you think HMRC could best use offshore data to promote offshore compliance and help taxpayers get offshore tax right first time?**

**Q2. How do you think HMRC could best use offshore data to stop errors from happening?**

**Q3. Should additional safeguards apply to ensure taxpayers’ rights are protected if HMRC use offshore data in new ways as set out in paragraph 2.9?**

### Helpful information from taxpayers

**2.10** HMRC receive a lot of data that is useful for taxpayers to ensure they get their tax right, and useful for HMRC when checking the right tax has been declared. For example, CRS data on financial accounts held outside the UK is helpful for both of these purposes.

**2.11** However, it can be difficult for HMRC to use data to its full potential as it is not always clear whether the income and gains concerned have already been declared by the taxpayer. There are two major reasons for this difficulty:

- The offshore data received by HMRC is usually for a year ending on 31 December, whereas the UK tax year ends on 5 April.

- It is not usually clear from a tax return exactly which offshore income or gains have been declared – instead there is often an aggregate figure on the return.

**2.12** If it was clear to HMRC what offshore income and gains had already been declared, this could allow better targeting of education and support for taxpayers that need help. It would also help prevent HMRC contacting taxpayers about income and gains which had already been included in a tax return, where that could not be identified from the return. This would allow HMRC's compliance interventions to be better focused on substantive issues and those who try to conceal their offshore tax affairs as well as to help avoid costs for taxpayers dealing with unnecessary enquiries.

**2.13** For example, if a taxpayer receives interest from offshore bank accounts this may be analysed by its country of origin on the self-assessment foreign pages. This analysis is needed in connection with claims for foreign tax credit relief. Even where the interest is analysed by a country this may not identify which bank account is involved, or the amount of interest from each account. This lack of detail makes it difficult for HMRC to quickly assess and confirm whether all taxable income has been declared, especially where HMRC have data for a calendar year, so it could relate to either of two UK tax years.

**2.14** If taxpayers included in their returns a breakdown of the overseas income declared detailing which bank account etc. the income came from, this would make understanding the data HMRC receive much easier. This would help identify which taxpayers may need help and allow HMRC to improve our risk assessing of returns. In particular, it would help prevent HMRC from writing unnecessarily to taxpayers asking them whether particular items of income had been included in returns. To make this change, taxpayers would not have to obtain any new information as they already know the income they have received, the change would be that they would include this further information on their return.

**Q4. Do you think making the changes to the data and information collected through the foreign pages, as set out in paragraph 2.14, would be helpful?**

**Q5. What other areas are there where it would assist tax agents if it were made mandatory for their clients to provide HMRC (and hence the agent) with details that are not currently required in a self-assessment return?**

## 3. Making it easier for taxpayers

**3.1** As globalisation increases and receiving offshore income and owning offshore assets becomes more common, it is important that HMRC make it easy for taxpayers to pay the tax they owe. Through this section we would like to explore how we can support taxpayers to be aware of and understand their obligations and how we can help remove opportunities for error to ensure the right tax is paid.

### Guidance and education

**3.2** HMRC have carried out some internal research and analysis into taxpayer awareness of offshore tax obligations and found that awareness was low. This suggests there is more to be done to raise awareness with taxpayers when it comes to the tax that could be due on offshore assets and income. HMRC also need to make sure guidance is accessible and of high quality, for example, by creating offshore-specific educational content for social media channels and HMRC customer forums.

**3.3** People's perceptions and awareness of offshore tax obligations are important. Help could be provided to increase awareness which would help to ensure all relevant income and gains are declared, as well as helping taxpayers to claim the correct allowances and reliefs that may reduce the amount of tax due. This help can be given at various points in the taxpayer's journey before, during and after submitting a tax return, as outlined below.

- Before a return is due, helping taxpayers to
  - Recognise that their offshore income or assets may lead to UK tax becoming due. This may involve the taxpayer taking professional advice where appropriate.
  - Understand what must be included in a self-assessment return, where they have been asked to file a return.
  - Collate the information needed to allow them to complete a return accurately.
  - Understand that they must tell HMRC if tax is due, where they have not been asked for a return.
- During completion of a return, helping taxpayers to
  - Complete the return correctly, for example, by reminding them of offshore income HMRC is aware of that should be declared.
- After the return is submitted, helping to ensure taxpayers are
  - Confident the return has been completed correctly, and
  - Understand how much tax to pay and when.

This process is set out visually in Figure 2, below.

**Figure 2 – The taxpayer’s journey before, during and after submitting a tax return**

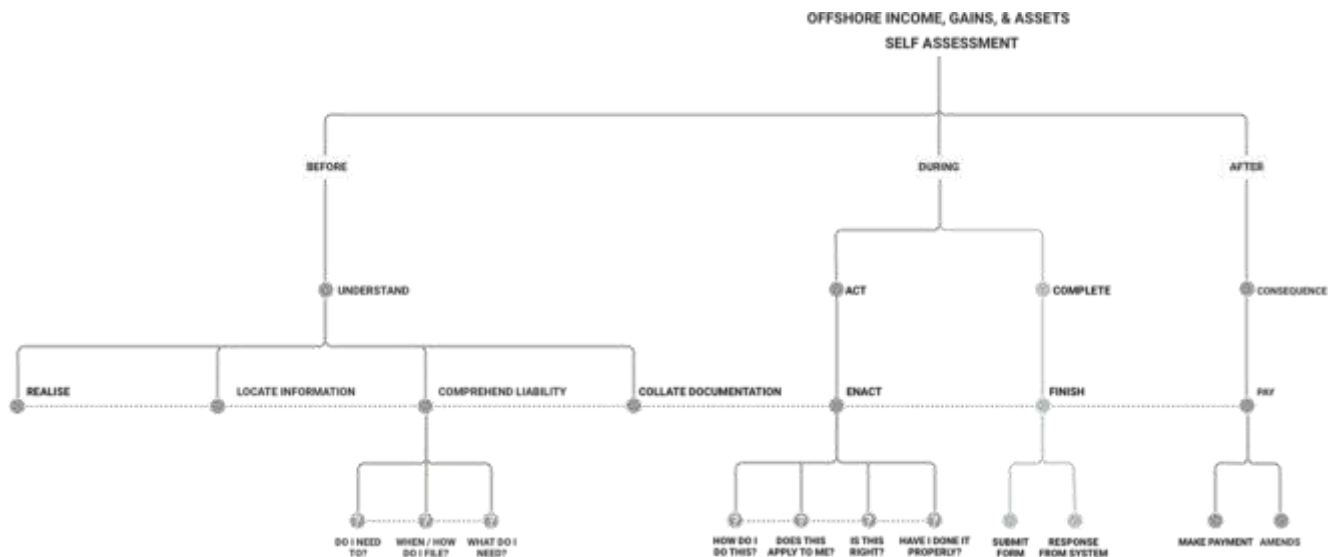


Figure 2 - diagram showing complex stages and thought processes taxpayers have to go through in order to submit a correct return. The questions are ones HMRC can help answer when giving more support to taxpayers with their offshore affairs. The information in his diagram is set out in section 3.3 above.

**3.4** We understand that the terminology used in connection with international tax matters can be confusing for taxpayers. For example, sometimes the words ‘offshore’, ‘overseas’ or ‘foreign’ are used in ways which may be interchangeable or may mean different things depending on the context. Furthermore, some taxpayers have difficulty relating to these terms and may think that HMRC communications regarding offshore are targeted purely at wealthy taxpayers with complex arrangements and only those who pay income tax through self-assessment. Taxpayers could also think their tax affairs are up to date as their employment earnings are subject to PAYE, not realising that tax on any additional income or gains should be paid through the self-assessment process. The complexity of offshore tax means mistakes can be made and the wide range of guidance can be difficult to navigate, particularly for those without a working knowledge of tax. We explore some of these issues in the following paragraphs.

**Q6. What terminology do you think would help a broader range of taxpayers associate themselves more accurately with their offshore tax obligations?**

**Public communications**

**Requirement to Correct Communications Campaign**

From January 2018 to September 2018 HMRC carried out a communications campaign related to the requirement to correct legislation. This included webinars, radio, newspapers and industry presentations. As a result:

- Over 10,000 taxpayers notified HMRC that they wished to correct their offshore tax affairs in the final month. This was a near tenfold increase on the next highest month of notifications.
- In total almost 14,500 taxpayers voluntarily informed HMRC of their intention to correct offshore tax affairs, recovering over £100m during this period.

**3.5** Public communications can have a positive impact. We know from our 2018 communications campaign promoting the requirement to correct legislation<sup>9</sup>, and the work we have done with Hong Kong owners of UK property, that targeted and meaningful communications regarding offshore tax obligations can help raise taxpayer awareness.

**3.6** Possible approaches to the use of public communications include:

- Highlighting common mistakes in high risk areas for offshore tax.
- Targeted awareness raising by contacting taxpayers in certain jurisdictions, and sectors, where mistakes are more common.
- HMRC doing more to debunk myths that exist about what is and is not legal.
- Developing an offshore assets 'one stop shop' for offshore guidance.
- Improving the guidance on completing the foreign pages of the self-assessment tax return.
- Working with agents and other intermediaries to identify common errors, and opportunities for joint communications and action.
- Increasing awareness of the scope and effectiveness of anti-avoidance legislation for both individuals and corporates, to deter the use of avoidance schemes.

**3.7** HMRC are keen to work with stakeholders to identify the areas where taxpayers most frequently need help with their offshore tax affairs. This is likely to include:

- the need to declare income and gains from property or pensions outside the UK,
- the remittance basis rules,
- the need to consider the tax implications of using offshore trusts, including the Inheritance Tax 10-year charge.<sup>10</sup>

We would welcome views on whether these are the right areas to consider, and what other areas are a cause of concern where HMRC's communications work should be prioritised.

**Q7. In which areas of offshore tax should HMRC focus communication efforts and why?**

**Q8. How should HMRC best carry out public communications to have the most impact in helping taxpayers get their offshore tax right?**

### **Informing taxpayers based offshore of their UK tax obligations**

**3.8** To provide a world class service to all UK taxpayers HMRC are also considering how to make sure that information about existing rules, as well as the introduction of new rules, reaches the appropriate UK taxpayers based offshore. This is particularly difficult when the change impacts companies and individuals based overseas who may want to come to the UK for trade or investment purposes. An example of existing legislation that impacts on those based offshore is the scope of Inheritance Tax legislation which extends UK taxation to non-

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<sup>9</sup> Schedule 18 of Finance (No.2) Act 2017

<sup>10</sup> The 10-year charge is Inheritance Tax charged at each 10 year anniversary of a trust. It is charged on the net value of any relevant property in the trust on the day before that anniversary. Net value is the value after deducting any debts and reliefs such as Business or Agricultural Relief.'

residents in some circumstances. An example of upcoming changes to legislation that will impact on those based offshore is the introduction of a new rate of Stamp Duty Land Tax (SDLT) for non-UK residents. The rules will introduce a new rate of SDLT, 2% higher than the current levels, for those who buy residential property in England or Northern Ireland but are non-resident in the UK. HMRC are considering how best to inform those based offshore of this change. This will include engagement with representative bodies and press, but HMRC are keen to explore how to best support taxpayers across the full range of their needs wherever they are based.

## **Q9. How can HMRC raise awareness of changes in legislation when the target audience is based offshore?**

### **Digital prompts for taxpayers**

**3.9** Another way we could help taxpayers to get their offshore tax right first time is by making more use of 'prompts'. A prompt in this context is any way in which HMRC contact a taxpayer to suggest they consider whether tax may be due because of certain income or assets they hold or receive. This could be via a letter through the post, via a message appearing on screen while completing a self-assessment return, or any other method. HMRC have trialled prompts in other areas. Examples include asking taxpayers to confirm at the start of the VAT return that they would complete the form honestly, rather than declaring at the end of the process as well as the prompt on foreign tax credit relief on the Income Tax Self Assessment return. The trial on foreign tax credit relief involved a prompt, reminding taxpayers to check they had entered the correct amount and selected the correct percentage rate. This prompt reduced customer errors and had a positive effect on tax yield.

**3.10** We are keen to explore how to use more prompts for offshore tax. We are currently trialling a digital prompt within the foreign pages of the Income Tax Self Assessment Return which gives a message to all taxpayers reminding them that, through exchange of information agreements, HMRC now receive more data than ever before on the offshore assets held by UK taxpayers. From December 2020 a new pilot will begin that uses the offshore data received under the CRS and FATCA. Under this pilot, targeted prompts will be provided to taxpayers as they complete their returns, reminding them that they hold assets outside the UK which may have given rise to taxable income.

**3.11** This approach could have numerous potential applications; one example would be ensuring that taxpayers who feature in CRS data are automatically pre-selected to complete the foreign pages section of the return. A prompt would also appear explaining to the taxpayers that this preselection has been done based on information that HMRC have received from foreign tax jurisdictions. In this way we would help taxpayers declare the right amount of tax first time in their self-assessment return.

**3.12** Another use of targeted digital prompts could be to remind taxpayers to declare income and gains from their offshore assets as they complete the foreign pages of the tax return. For example, a taxpayer may receive a message such as 'please don't forget to declare any income and gains from the assets you hold in country X'.

**3.13** A further potential development could involve sending taxpayers targeted prompts earlier in the tax return process, before they start to complete the self-assessment return, through sources such as the personal tax account. This might remind taxpayers to register for self-assessment and to gather the right information about their offshore assets in good time. We think there is much more we could do in this area, both by exploring how different

prompts may work for different people, but also by looking to go further by exploring pre-population of returns with offshore data. We would like to explore with you what might be possible and helpful.

**Q10. What data would be useful to you when receiving a prompt and when in the process would you like to receive it?**

# 4. Working with intermediaries to ensure offshore tax compliance

## Intermediaries

Within this document, the term ‘intermediary’ has a broad meaning. It refers to any persons or entities that play a role in-between HMRC and the taxpayer concerning tax obligations. For example, agents, employers, financial institutions and online platforms are intermediaries when helping clients complete their returns, operating PAYE, or supplying data needed to complete returns.

**4.1** Intermediaries play a vital role in a healthy tax system and we know that the majority of taxpayers trust the advice they receive from their intermediaries. This means that intermediaries are well placed to support taxpayers and help take action to ensure they pay the right amount of offshore tax at the right time. HMRC work with the relevant professional bodies to uphold agent standards and the majority of agents provide good quality advice. However, there are some agents who do not provide a good service and the issues this can cause have been highlighted by the findings of the independent review into the loan charge<sup>11</sup>.

**4.2** On 19 March 2020, HMRC published a call for evidence on raising standards in the tax advice market, to give taxpayers more assurance that the advice they are receiving is reliable. A summary of responses and next steps was published in November 2020<sup>12</sup>. Furthermore, the Government has also announced the specific steps HMRC are taking to act against promoters of tax avoidance and has published a strategy to tackle promoters which includes commitments to a wide range of operational, engagement and communications activity. Through this section we would like to explore how HMRC and intermediaries could work together to promote offshore tax compliance and ensure taxpayers can be confident in accessing offshore tax advice.

## Working with agents and intermediaries

**4.3** HMRC have long recognised the value of good tax advisers in helping their clients to get their tax affairs right and welcome the use of agents who add value in this way. HMRC already have a strong working relationship with the tax profession and we would like to explore the specific issues that face agents when dealing with clients who have offshore assets.

**4.4** We know from the 2018 Individuals, Small Business and Agents Customer Survey that 94% of UK tax agents believe that tax evasion is never acceptable.<sup>13</sup> However, agents rely upon their clients to provide them with information about their income and assets. This can be problematic when awareness is low among the general public of UK tax obligations for

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<sup>11</sup> See <https://www.gov.uk/government/publications/disguised-remuneration-independent-loan-charge-review>

<sup>12</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/934614/Raising\\_standards\\_in\\_the\\_tax\\_advice\\_market\\_-\\_summary\\_of\\_responses\\_and\\_next\\_steps.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934614/Raising_standards_in_the_tax_advice_market_-_summary_of_responses_and_next_steps.pdf)

<sup>13</sup> [Individuals, Small Business and Agents Customer Survey 2018](#) – Perceptions of HMRC, page 10. HMRC: 18, July 2018



offshore income and gains. When clients, mistakenly or otherwise, fail to tell their agent about any offshore assets, the agent will often be unaware of the mistake, so cannot take action to correct the inaccuracy and might not be able to comply fully with other obligations such as those on Money Laundering.

**4.5** We would like to consider what HMRC can do to help address this issue. We could share the data we receive on offshore assets to help agents understand the tax affairs of their clients and predict client needs. While confidentiality safeguards would need to be established, we would like to explore the viability of providing information to trusted agents in advance of tax returns being sent to HMRC. This could be carried out through digital prompts, as suggested for taxpayers in section 3, or through a more direct sharing of information with agents. This information would then be available for agents to use to help their clients complete correct returns and get their offshore tax right first time (as described in section 2).

**4.6** We also know from discussions with representative bodies that tax agents would appreciate the opportunity for increased engagement with HMRC on the more complex aspects of their client's offshore affairs. Possible approaches to working together include:

- A dedicated Community Forum for offshore issues to supplement the forums we already make available on other issues.<sup>14</sup>
- Improving the Worldwide Disclosure Facility (WDF) to allow agents to provide more specific information when disclosing taxpayers' past tax liabilities.
- Providing information to agents on their clients in advance of tax returns being sent to HMRC.

**4.7** We would like to discuss these options and any other suggestions that stakeholders might have for how HMRC could better engage with intermediaries on offshore issues.

**Q11. How could HMRC work with agents and intermediaries to improve offshore tax compliance?**

**Q12. What are your views about more direct sharing of information with agents?**

**4.8** While the majority of agents provide good quality advice there are a minority who do not, and where this is the case, we work with the agent to improve standards. Where those standards do not improve, HMRC consider removal or suspension of the agent code, which means the agent is unable to deal with HMRC on behalf of his or her clients. We know that due to jurisdictional limitations it can be particularly difficult for HMRC to hold agents based outside of the UK accountable to the same set of standards as UK-based agents, when they do not provide a good quality service. Therefore, we would like to explore options to address the specific issues created by agents based offshore who do not adhere to UK standards.

**4.9** Knowing who has given advice to a taxpayer before or with the return they submit may help inform HMRC's risk assessment of the accuracy of the return. It could also provide HMRC with data which will help us better understand the quality of advice being given to taxpayers by particular agents, and the interpretations of tax law being adopted by agents.

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<sup>14</sup> [HMRC Community Forums](#)

This would allow HMRC to provide more targeted information, and take preventative action where necessary, both for taxpayers and agents.

**Q13. How can HMRC ensure agents based outside of the UK meet the standards expected of those giving UK tax advice?**

**Working with Financial Intermediaries**

**4.10** We would like to explore how we could better promote offshore tax compliance through financial intermediaries, given their important role in the financial system and in the prevention of evasion and fraud. We have already made significant progress in this area through the Counter Fraud Banking Forum (CFBF) which was established by HMRC in 2018 as an open forum where financial institutions and tax authorities can discuss approaches to counter tax fraud and compliance with the Corporate Criminal Offences (CCO) legislation introduced in the Criminal Finances Act 2017.

**4.11** Discussions within the CFBF identified a need to have regular conversations between the public and private sectors to collaborate on priority tax threats, share insights and combine efforts to disrupt and tackle tax threats. This led to the creation of a tax evasion focused expert working group as part of the Joint Money Laundering Intelligence Task Force (JMLIT); a Public Private Partnership (PPP)<sup>15</sup> heralded internationally as best practice.

**4.12** This working group focussing on tax evasion is the first of its kind across international PPPs and represents a significant step in the use of PPPs for the prevention of tax evasion. The group has already made a significant impact, identifying numerous current threats, developing strategies to tackle these threats, and publishing alerts to share with the wider financial sector. In future we hope to build on this momentum by involving more industry members and by encouraging similar groups in other jurisdictions to follow the UK's example.

**4.13** We are keen to explore the possibilities of the financial sector providing further support for their customers. This could be by encouraging best practice, or by providing guidance and education. We would also be interested in exploring how technical advances with Information Technology (for example) in the financial sector could help support customers in getting their tax affairs right first time.

**Q14. How could we further leverage public-private partnership initiatives and the role of financial institutions to promote offshore compliance?**

**Q15. Are there other non-financial areas where public-private partnerships could be developed to help promote offshore compliance?**

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<sup>15</sup> The Government's Economic Crime Plan established a joint vision for public and private entities to pursue through Public Private Partnerships: 'For the public and private sectors to jointly deliver a holistic plan that defends the UK against economic crime, prevents harm to society and individuals, protects the integrity of the UK economy, and supports legitimate growth and prosperity.' [Economic Crime Plan](#) – Vision and Context, page 9. HM Government, UK Finance: July 2019

## 5. Summary of questions

**5.1** The purpose of having a discussion at this initial stage of policy development is to help frame the issues and generate and consider possible solutions. This document seeks views on new, innovative, measures to make it easier for taxpayers with overseas income and gains to declare the right amount of tax first time. This includes how to use data to help taxpayers declare the right tax, how guidance and communications can be improved and better targeted, and how to work with third parties. In addition to the questions listed throughout this document, we would also welcome your views on four overarching questions

### Overarching questions

- A. Do you agree that the factors set out in paragraph 1.9 cause offshore non-compliance?**
- B. Are there other factors that we should address to improve offshore compliance?**
- C. Do you consider the possible approaches suggested in this paper would be effective to help ensure offshore tax compliance?**
- D. What further ideas do you have to help taxpayers get their offshore tax right?**

### Using data & Helpful information for taxpayers

- Q1. How do you think HMRC could best use offshore data to promote offshore compliance and help taxpayers get offshore tax right first time?**
- Q2. How do you think HMRC could best use offshore data to stop errors from happening?**
- Q3. Should additional safeguards apply to ensure taxpayers' rights are protected if HMRC use offshore data in new ways as set out in paragraph 2.9?**

### Helpful information from taxpayers

- Q4. Do you think making the changes to the data and information collected through the foreign pages, as set out in paragraph 2.14, would be helpful?**
- Q5. What other areas are there where it would assist tax agents if it were made mandatory for their clients to provide HMRC (and hence the agent) with details that are not currently required in a self-assessment return?**

### Guidance and education

- Q6. What terminology do you think would help a broader range of taxpayers associate themselves more accurately with their offshore tax obligations?**

## **Public communications**

**Q7. In which areas of offshore tax should HMRC focus communication efforts and why?**

**Q8. How should HMRC best carry out public communications to have the most impact in helping taxpayers get their offshore tax right?**

## **Informing taxpayers based offshore of their UK tax obligations**

**Q9. How can HMRC raise awareness of changes in legislation when the target audience is based offshore?**

## **Digital prompts for taxpayers**

**Q10. What data would be useful to you when receiving a prompt and when in the process would you like to receive it?**

## **Working with agents and intermediaries**

**Q11. How could HMRC work with agents and intermediaries to improve offshore tax compliance?**

**Q12. What are your views about more direct sharing of information with agents?**

**Q13. How can HMRC ensure agents based outside of the UK meet the standards expected of those giving UK tax advice?**

## **Working with Financial Intermediaries**

**Q14. How could we further leverage public-private partnership initiatives and the role of financial institutions to promote offshore compliance?**

**Q15. Are there other non-financial areas where public-private partnerships could be developed to help promote offshore compliance?**

## 6. The process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1      Setting out objectives and identifying options.
- Stage 2      Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3      Drafting legislation to effect the proposed change.
- Stage 4      Implementing and monitoring the change.
- Stage 5      Reviewing and evaluating the change.

This discussion is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before possible further consultation.

### How to respond

A summary of the questions in this consultation is included at chapter 5.

Responses should be sent by 15 June 2021, by email to [consult.nosafehavens@hmrc.gov.uk](mailto:consult.nosafehavens@hmrc.gov.uk).

Please do not send responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

### Confidentiality

HMRC is committed to protecting the privacy and security of your personal information. This privacy notice describes how we collect and use personal information about you in accordance with data protection law, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs.

## Consultation Privacy Notice

This notice sets out how we will use your personal data, and your rights. It is made under Articles 13 and/or 14 of the UK General Data Protection Regulation.

### Your data

We will process the following personal data:

Name

Email address

Postal address

Phone number

Job title

### Purpose

The purpose(s) for which we are processing your personal data is: *Helping taxpayers get Offshore Tax Right discussion document.*

### Legal basis of processing

The legal basis for processing your personal data is that the processing is necessary for the exercise of a function of a government department.

### Recipients

Your personal data will be shared by us with HM Treasury.

### Retention

Your personal data will be kept by us for six years and will then be deleted.

### Your rights

- You have the right to request information about how your personal data are processed, and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.
- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

## Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

[casework@ico.org.uk](mailto:casework@ico.org.uk)

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

## Contact details

The data controller for your personal data is HM Revenue and Customs. The contact details for the data controller are:

HMRC  
100 Parliament Street  
Westminster  
London SW1A 2BQ

The contact details for HMRC's Data Protection Officer are:

The Data Protection Officer  
HM Revenue and Customs  
14 Westfield Avenue  
Stratford, London E20 1HZ  
[advice.dpa@hmrc.gov.uk](mailto:advice.dpa@hmrc.gov.uk)

### **Consultation principles**

This call for evidence is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: [Consultation Principles Guidance](#)

If you have any comments or complaints about the consultation process, please contact the Consultation Coordinator using the following link:

[Submit a comment or complaint about HMRC consultations](#)

Please do not send responses to the consultation to this link.