

HMRC acquiring sharp teeth to feed a very hungry appetite

In December 2015 HMRC closed all their offshore facilities. Up to that date there were incentives encouraging taxpayers to clear up their tax affairs. Following the requirement of EU financial institutions to disclose income paid on offshore accounts to relevant taxation authorities, over 100 countries have now committed to exchange information on a multilateral basis under the Common Reporting Standard (CRS). The old incentives no longer apply but before automatic exchange and sanctions come into force the Worldwide Disclosure Facility will be the last chance to resolve matters with HMRC, before they use CRS data and toughen their approach to offshore non-compliance. All this has been in the public domain since September 2016.

Clearly the onus is on the taxpayer to make the disclosure required but within the detail of HMRC's guidance, is an obligation on financial advisers, accountants and solicitors, to send a letter provided by HMRC, to those UK resident clients with offshore accounts holding money or assets. The criteria for sending such a letter are that UK resident clients were provided with financial advice or services, an overseas account, referred for an overseas account or referred for advice or services overseas.

The letter is in a prescribed form demanding that UK residents bring their tax affairs up to date. It starts with the observation that *"The tax world is becoming more transparent"* and finishes with the ominous advice *"Come to us before we come to you"*

Advisers classed as a 'specified financial institution' or 'specified relevant person' may need to send the notification letter to clients who are UK tax resident. The set text must say:

"Financial institutions in more than 100 jurisdictions around the world are being legally required to find out the tax residence of their account holders and report details of their accounts, structures, trusts, and investments to be exchanged with the appropriate tax authorities."

"As a UK tax resident, any overseas accounts you have will be sent to HM Revenue & Customs (HMRC). This gives HMRC unprecedented levels of information to check that, as in most cases, the right tax has been paid."

Advisers who do not send this letter by 31 August 2017 could be subject to a £3,000 tax penalty.

Gary Clarkson, who heads up the high-end tax defence and strategies team at Hentons, Chartered Accountants in Leeds, said *“I doubt that many professional service providers are fully aware that they need to send this to their clients. They need to make sure they avoid these penalties and prepare and protect themselves and their businesses from a raid or investigation. Undoubtedly HMRC have been assisted in identifying the problem, following the Panama Papers and more recently Northern Cyprus scandals. This legislation will provide more cases for HMRC review by requiring advisers to effectively give up the identities of UK residents with offshore assets. Advisers have less than 30 days to avoid a £3,000 penalty by failing to comply with little known new legislation imposed by HMRC.”*

Nadeem Ahmed, Managing Partner at Hentons said, *“HMRC’s direction of travel in tackling tax evasion and tax avoidance has been obvious for some time. It’s precisely why we provide an excellent tax defence and strategies service through Gary and his team. HMRC will soon be getting data about offshore accounts, not just from overseas jurisdictions but also from those UK advisers who know more about who is likely to get reported. This legislation gives HMRC some very sharp teeth to feed a very hungry appetite.”*

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