

E-Tax Consulting

Advising companies and individuals on UK Employment, Expatriate and Personal Taxes

Taxation of Offshore Income

Summary

Over recent years we have seen growing focus from HMRC in targeting UK tax resident individuals with offshore sources of income. This offshore income includes but is not limited to for example bank interest, overseas rental income, overseas dividends, gains etc.

Under various Automatic Information Exchange Agreements, HMRC have access to individuals overseas financial information such as details of their overseas bank accounts/assets. In light of this, from 1 October 2018, HMRC are introducing a Requirement to Correct which would impose severe penalties on non-compliant individuals who have tax underpayments arising on their offshore income. If you are a UK Tax Resident individual with offshore sources of income, we would therefore recommend undertaking a review of this and if required, making a disclosure to HMRC as soon as possible before 1 October 2018.

Overview – Taxation of foreign income

As a UK tax resident individual, broadly you would be taxable on your worldwide income on an arising basis. This is irrespective of whether or not any taxes on the income have been paid overseas. The only exception to this is where for example you are considered Non-UK Domiciled. Determining your domicile status is not straightforward and would involve reviewing your country of birth, links to your country of birth, the birth country of your father etc.

As a Non-UK Domiciled individual, you can elect to be taxed on a remittance basis. This means that you would only be taxable on your foreign income if you bring/remit this into the UK. However, please note, depending on your circumstances e.g. how long you have lived in the UK, making this election can in some cases be less beneficial and could result in an additional cost to you. Advice should therefore be sought before automatically assuming that you are Non-UK Domiciled and before making this election.

Automatic Exchange of Information Agreements (AEIAs)

Automatic Exchange of Information agreements are made between the UK and other countries. These agreements allow the exchange of information between tax authorities of different countries about financial accounts and investments to help stop tax evasion.

HMRC will receive information from other countries about UK residents with financial accounts and investments overseas. The UK has Automatic Exchange of Information agreements under 4 regimes.

1) United States Foreign Account Tax Compliance Act (FATCA)

The agreement between the UK and USA requires UK financial institutions to report to HMRC on US customers that hold accounts with them.

Why E-Tax Consulting

E-Tax Consulting provides employment, expatriate and personal tax services. With over 11 years of Big 4 experience, we are ideally placed to provide high quality advice which is competitively priced.

We value all our clients and to demonstrate our commitment, we guarantee exceptional client service with same day response times and client references where required. Please visit us at www.e-taxconsulting.com for further information on the services we offer.

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2) Crown Dependencies and Overseas Territories

The agreement between the UK and its Crown Dependencies and UK Overseas Territories to report on those who are tax residents in one territory and hold accounts in the other.

3) Common Reporting Standard

The standard for all automatic exchange of financial information.

4) Directive on Administrative Co-operation

The Directive which applies the Common Reporting Standards throughout the European Union.

We are already seeing instances where some of our clients have received notices/enquiries from HMRC regarding their offshore income and overseas bank accounts. For your reference, an example HMRC letter is included in the Appendix to this article.

Worldwide Disclosure Facility (WDF)

In light of the above, HMRC is offering individuals an opportunity to make a disclosure and settle any underpayments of tax arising on their offshore income under the WDF. Disclosures made under this facility would attract a much lower penalty compared to the penalty regime which would apply from 1 October 2018.

How We Can Help

If you are a UK tax resident individual with overseas (non-UK) sources of income, we would recommend that you undertake a review of your arrangements and if required make a disclosure to HMRC. Some of the ways in which we can support you include: -

- Reviewing your circumstances to determine whether you are impacted and advising on next steps.
- Assisting you with responding to any HMRC enquiries/letters that you may receive.
- If you need to make a disclosure to HMRC, liaising with HMRC on your behalf to settle the liabilities and minimise any penalties HMRC may seek to impose.
- Assisting you with preparing your UK self-assessment tax returns and reporting your foreign income.

This article contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. E-Tax Consulting Ltd cannot accept any responsibility for loss to any person acting or refraining from action as a result of any material in this article.



HM Revenue
& Customs

**Offshore Coordination Unit
Customer Compliance**

TLD Team 1
PO Box 4362
Newcastle
NE98 1ZZ

Phone: 03000 514 843
Monday – Friday 9.00am – 4.00pm

www.hmrc.gov.uk

Monday – Friday 9.00am – 4.00pm

Date 2 August 2017

Our ref [REDACTED]

Dear [REDACTED]

Are you confident that you have checked your UK tax affairs are up to date?

HM Revenue and Customs (HMRC) has information that shows you have received income or gains from an account or investments in Monaco.

We need to be satisfied that you have declared all of your UK tax liabilities including any offshore income or gains.

Please tell us whether you have any additional tax liabilities to disclose or that you have no additional tax liabilities by returning the enclosed certificate by 06/09/2017.

We recommend that

- You check you have declared all of your UK tax liabilities, including offshore income and gains and any tax that relates to the source of the funds in your Monaco account or investments.
- If you are unsure that you have declared all of your UK tax liabilities, then you should seek tax advice before you return your certificate to HMRC.

People hold assets overseas for many reasons and the vast majority of people pay the right amount of tax in the UK. However, personal circumstances change, for example, you may have recently inherited offshore assets, and tax laws change too meaning previous advice may no longer apply. It is your responsibility to make sure your tax affairs are up to date.

If you find that you may need to bring your tax affairs up to date, it can be easier than you think. You can do this now by using HMRC's Worldwide Disclosure Facility. Search for *Worldwide Disclosure Facility* on the GOV.UK website.

HMRC is getting tougher on the minority that do not pay what they owe on their offshore assets. If you choose to delay coming forward, then you need to know that:

- Last year HMRC began to receive new financial information about UK tax residents as part of international agreements with over 100 jurisdictions – including details about overseas accounts, structures, trusts and investments. This makes it easier for us to check the accuracy of the information you provide to us.
- Penalties are increasing and you can face criminal prosecution. Under new rules in future you could face further penalties based on the value of the asset as well as the tax due, resulting in even more expensive tax consequences.

What happens if you do not reply?

If we have not received your completed certificate by 06/09/2017, we may carry out an enquiry to carry out an enquiry to carry out a detailed investigation into your tax affairs. You should therefore ensure that you have replied by this date whether or not you need to disclose any additional tax liabilities.

If you have any queries about this letter or how to bring your tax affairs up to date, then please call us on 03000 514 883 Monday – Friday 9.00am – 4.00pm.

Yours sincerely



Offshore Coordination Unit

E-Tax
Consulting
Sample
HMRC letter

We have sent a copy of this letter to your agent where you have advised HMRC to do this.

Information is available in large print, audit tape and Braille formats.

Type talk prefix number - 18001