



Income Tax Voluntary Disclosure Scheme 2010

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Details of the Voluntary Disclosure Scheme previously announced in the Treasury Minister's budget speech on 16 February 2010 have been published today. The Scheme will operate for the period commencing on 1 July 2010 and ending on 30 September 2010. Details of the scheme are set out in Guidance Note GN45 and relevant disclosures should be made on the Form R229.

Under the scheme anyone who has failed to fully disclose their income or to register for income tax purposes can bring their affairs up to date without suffering penalties and interest. The Scheme applies to any person who is resident for income tax purposes or who is, or should be, paying non-resident tax. The term 'person' includes individual, company, employer, contractor, trustee or any other entity liable to Isle of Man income tax.

Where a full and complete disclosure is made under the Scheme in respect of many tax years the Assessor will only charge additional liabilities for twelve tax years prior to the current 2010/11 tax year.

GN45 sets out the type of disclosures that can be included and the types of undeclared income that can be disclosed. Disclosures can include, for example:

- Income from a source which has not been previously declared at all.
- Income from a source which has only been partially declared previously.
- Incorrect claims for any allowances, reliefs or deductions.
- Failure to register for income tax purposes.

Undeclared income that can be disclosed will include, for example:

- Interest from savings accounts.
- Income from insurance or other bonds.
- Income from collective investment schemes or other investment products.
- Income from a trust, foundation or similar arrangement.
- Income from self-employment.
- Income from part time work or private work.
- Rental income.
- Assets transferred from a company to its directors/shareholders.
- Land or other assets acquired by company directors/shareholders and sold into a company within a short period at an enhanced value.
- Goods taken from a business for personal use.
- Unrecorded cash sales.
- Proceeds from land or property sales where the land or property was purchased with a view to resale for a profit.

Where records are no longer available the Income Tax Division will help to calculate an appropriate sum.

All disclosures must be full and complete. If, at a later date, a disclosure is found to have been incomplete, penalties and interest will be charged for both the liabilities which are disclosed under the Scheme and any which are subsequently discovered.

The Voluntary Disclosure Scheme is similar to schemes that have been introduced in many jurisdictions, including the UK. Given the Income Tax Division's intentions to increasingly combat the under-declaration of income, the Voluntary Disclosure Scheme is an opportunity for individuals and companies, etc. to bring their tax affairs up-to-date without incurring interest and penalties which can be substantial.

The Scheme is all encompassing and includes all types of taxpayers, including individuals, companies, employers, contractors and trustees. The Guidance Note also refers to foreign companies beneficially owned by Isle of Man residents which are managed and controlled in the Isle of Man and also to non-resident companies which have a place of business in the Island and which have failed to register for income tax purposes.

The Scheme will not apply where the Income Tax Division has already commenced an investigation into your tax affairs or if the Income Tax Division starts an investigation during the period of the Scheme. Therefore, where any person intends to benefit under the Scheme it will be best to make a notification sooner rather than later. GN45 does not make specific reference to a pre-disclosure notification but one would hope they would be accepted.

Some specific aspects of GN45 are not clear including its interaction with GN34 Incorrect Tax Returns, but we would expect any particular issues to be resolved in due course.

SMP Accounting & Tax Limited's experienced tax professionals will be very pleased to assist you with any disclosure under the Income Tax Voluntary Disclosure Scheme.

Our initial consultations are provided free-of-charge, and if we believe we can assist you then we are happy to agree a fixed fee for the work to be undertaken to give you peace of mind that our charges will meet your approval.

If you wish to make a disclosure under the Scheme or if you have concerns about whether or not a disclosure is required please do not hesitate to contact:

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