



Requirement to Correct tax due on offshore assets

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## Requirement to Correct tax due on offshore assets

### Overview

The Requirement to Correct (RTC) legislation requires people to disclose undeclared offshore tax liabilities to HMRC on or before 30 September 2018.

The RTC applies to people who pay tax in the UK and relates to Income Tax, Capital Gains Tax or Inheritance Tax for any period where HMRC could raise a review as at 6 April 2017.

### Offshore tax liability

An offshore tax liability arises when there is tax owed to HMRC as a result of offshore tax non-compliance involving either an offshore matter or an offshore transfer. Examples include:

- income arising from a source in a territory outside the UK
- assets situated in a territory outside the UK
- activities carried on wholly or mainly in a territory outside the UK
- income or gains which are transferred outside of the UK

### What should you do?

If you are unsure whether you have undeclared offshore tax liabilities, you will need to review your affairs to check whether action is needed to comply with the RTC or seek professional advice.

If any issues are identified, you should make a disclosure to HMRC.

### Why now?

On 30 September 2018, over 100 countries will exchange data on financial accounts under the Common Reporting Standard. This data will enhance HMRC's ability to identify non-compliance involving offshore matters or transfers.

If you or HMRC identify any non-compliance after 30 September 2018, you will be subject to the higher Failure to Correct (FTC) penalties, and you could also face criminal sanctions.

### Failure to correct penalties

The new FTC penalties will be much higher than the existing penalties, with a penalty of between 100% and 200% of the tax involved. The penalties will apply to all inaccuracies, including innocent errors and judgemental matters.

In the most serious cases, where the tax involved exceeds £25,000, penalties of up to 10% of the value of assets connected to the failure will be charged in addition to the standard penalties. HMRC may also publish details of deliberate tax defaulters.

There will also be a potential further penalty of 50% of the standard penalty if it can be shown that assets were moved to avoid reporting these to HMRC.

To avoid becoming liable to these new higher penalties, you must correct the position by no later than 30 September 2018. If you do this, the tax and interest will be collected and the existing penalty rules will apply.

If you have a 'reasonable excuse' you will not be liable to the FTC penalty, but the criteria for a 'reasonable excuse' is very limited.

### How to make a disclosure

- Use HMRC's digital disclosure service as part of the Worldwide Disclosure Facility
- Tell an officer of HMRC in the course of an enquiry into your affairs
- Any other method agreed with HMRC

### Why use SMP Accounting & Tax to make a disclosure?

- UK qualified Chartered Accountants and Chartered Tax Advisers with experience in offshore matters
- Experience of guiding clients with complex international tax affairs through the Worldwide Disclosure Facility and reaching agreements with HMRC
- No costs in relation to initial discussions

For further HMRC guidance on the rules, please see:

<https://www.gov.uk/guidance/requirement-to-correct-tax-due-on-offshore-assets>

For further information, please contact your usual SMP advisor or one of the contacts listed below:

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