



# Voluntary tax disclosures for UK residents



UK residents have a limited window of opportunity to make a voluntary disclosure to the UK tax authorities (HMRC) under the beneficial terms offered by its Liechtenstein Disclosure Facility (LDF).

The LDF allows UK residents with undisclosed overseas assets (wherever in the world they are) to regularise their affairs.

**The date for registration for the LDF ends on 31 December 2015.**

The LDF has been used by thousands of UK residents already but the facility will no longer be available unless a notification has been submitted to HMRC of the intention to make a disclosure by the end of 2015.

This decision should also be considered in the context of the international environment and HMRC's focus on offshore tax evasion.

Unprecedented levels of information will be provided to HMRC in respect of UK residents who hold assets overseas, including UK resident non-UK domiciled persons. Intergovernmental Agreements have been in force since 2014 between the UK and its Crown Dependencies and Overseas Territories. This will be significantly extended by the introduction of the Common Reporting Standard (CRS). 94 countries have committed to exchanging information from 2017 or 2018. The overall impact of this is to oblige jurisdictions to obtain client information from their financial institutions and copy it automatically to the tax authorities in other jurisdictions each year.

HMRC has made it very clear that once it is in receipt of this information it will focus its resources on those UK persons who choose not to come forward and regularise their position. This could be either on a civil or criminal basis.

UK residents are encouraged to make use of the LDF before it closes.

## What are the key requirements to participate and use the LDF?

- Need to have an overseas asset at 1 September 2009 e.g. bank account, interest in trust, company, Foundation, insurance bond
- Need to establish an asset (typically a bank account) in Liechtenstein prior to notifying HMRC of the intention to use the LDF (Step 1 – Registration)
- Need to make a full disclosure of all tax liabilities to HMRC within 10 months from the date of registration (Step 2 - Disclosure)
- Required to make payment of tax, interest and penalties when the disclosure is submitted.

## What are the main benefits of the LDF?

- Guaranteed immunity from prosecution
- Potential to elect for an alternative method to calculate the tax due (the Composite Rate Option) which can eliminate Inheritance Tax liabilities
- Tax liabilities restricted to periods from 1999 onwards, including Inheritance Tax
- Fixed 10% penalty for 1999 to 2009
- Ability to speak to HMRC on a no-names basis

The full financial terms can be restricted in certain instances (e.g. previous/ongoing HMRC investigation, overseas assets not held at 1 September 2009 etc.)

## What needs to be included in the LDF?



### Step 1 – Registration

HMRC is notified of the name and address of the UK person along with evidence of holding an asset in Liechtenstein. To be completed by 31 December 2015.

### Step 2 – Disclosure

- Factual background
- The quantification and computation of all UK tax liabilities
- A full review of the financial records for the assets that give rise to the tax liabilities. For example, this will often include the review and classification for UK tax purposes of entities (e.g. Trusts) and the review of statements for bank and investment accounts
- A statement of personal assets and liabilities at the end of the disclosure period
- A certificate of full disclosure confirming all matters have been disclosed
- Payment of the full liability

## What will happen if UK residents don't use the LDF?



HMRC has already stated that a new 'last chance' disclosure facility will be introduced in early 2016 and run until the autumn of 2017. This will be on less advantageous terms than the LDF with a penalty of at least 30% and no guaranteed immunity from prosecution. We do not believe the Composite Rate Option will be available either.

HMRC is currently consulting on a new criminal charge of failure to declare offshore income and gains which would not require any deliberate intent by the UK resident in order to apply. We expect this will be introduced in autumn 2017.

Extensive HMRC investigation activity is anticipated using the information provided from overseas jurisdictions identifying assets held by UK residents.

## What next?



- We offer a free no obligation meeting to establish the facts of the case, explain and discuss the tax risks and how they might be resolved
- Meetings can take place in the UK or overseas
- Once we are in possession of sufficient information to understand the complexity of the issues and the volume of documentation to be reviewed we will provide a fixed fee quote to provide certainty regarding professional costs
- If all relevant conditions are met, make the registration to HMRC for the LDF before 31 December 2015
- Start preparing the disclosure

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