

# No safe haven: why those with offshore assets should act now

**Tax** As the Revenue starts a fresh crackdown on tax evaders, **Lauren Thompson** says that the clock is ticking for those with investments abroad

Thousands of UK taxpayers with assets abroad are being urged to review their financial affairs as the Government announces another crackdown on tax evaders.

A new tax amnesty will be launched next month, allowing people to receive a penalty of 10 per cent, rather

than 100 per cent, of tax owed. At the same time, more than 300 banks have been told to hand over details of UK taxpayers who have accounts offshore — meaning that if they do not come forward under the amnesty, they are likely to be found out anyway. Anyone with offshore assets — including savings or investments, property, trusts, business interests or even a yacht — could come under scrutiny from HM Revenue & Customs (HMRC).

Noshir Avari, of Avari and Associates, the tax investigation consultant, says: "Offshore savings used to be attractive because tax on interest payments was not deducted at source, which meant that people could evade tax by not declaring the interest on their tax returns. This changed in 2005 and interest is now paid net of tax. Therefore the taxman is most interested in where the funds came from in the first place."

"For example, if the funds are undeclared profits of a UK business, or from property sales either here or abroad... the consequences can be serious if HMRC realises no disclosure has been made. These taxpayers need to take advantage of the amnesty. It will allow them to wash away sins of the past at a relatively low financial cost and with almost no risk of prosecution."

The Revenue's previous disclosure campaign in 2007, which targeted offshore accounts held by customers of UK high street banks, raised £450 million from 45,000 people. Now the Government has signed agreements with tax havens such as Jersey, Guernsey and the Isle of Man to allow the exchange of financial information on UK residents. This month it reached an agreement with Liechtenstein to offer account holders the opportunity to settle any unpaid tax over the past ten years with the 10 per cent penalty.

Accountants say that the Liechtenstein deal is unfair as taxpayers with money in any other country have to pay unpaid tax over the past 20 years.

John Cassidy, of PKF, the accountant, says: "It appears that there is no reason why investors in other offshore jurisdictions cannot move their money into Liechtenstein and then make use of the more favourable terms on offer as long as they move their money between now and December 1."

While some people will have money hidden offshore to avoid paying tax, many others simply have money in offshore accounts because they work abroad, or are non-domiciled in the UK. Experts say that even those who bank offshore legitimately need to ensure that their tax affairs are in order.

Geoff Cook, of Jersey Finance, the industry representative body, says: "Some of HMRC's publicity is rather alarmist but the majority of investors who bank offshore legitimately have nothing to worry about. Nonetheless, if people are in any doubt they should review their finances."

Julia Whittle, of Punter Southall Financial Management, an independent adviser, adds: "Now is the time to consider if you really need money in offshore accounts. There was a time when interest rates and tax arrangements made offshore attractive — but these do not apply any more. In fact, most of the major banks offer less attractive interest rates on their offshore subsidiaries than in the UK."

"Plus, as many savers with Icelandic banks discovered last year, the com-



## 'Icelandic bank made sense'

### Case study

Jim and Carmilla Fitt, from Dover, above, have banked offshore for the past 20 years while Mr Fitt worked abroad for HM Revenue & Customs and the Ministry of Defence.

Mr Fitt, 64, had £120,000 with Kaupthing Singer & Friedlander, the Icelandic bank based in the Isle of Man which went bust a year ago. So far, he has been able to recover only £20,000.

He says: "Back in the 1980s I was living in Cyprus and I found dealing with my UK bank, Lloyds, impossible. It was a nightmare trying to move money in different currencies around. So in 1992 I moved my money offshore to Singer & Friedlander, who provided a much better service. The money I earned was always taxed in whichever country my wife and I resided."

Mr and Mrs Fitt are protected by the Isle of Man compensation scheme for £50,000 each, which they hope to receive later this year.

pensation arrangements for offshore accounts are not the same as the UK.

Taxpayers have only three months to notify HMRC that they wish to take advantage of the New Disclosure Opportunity (NDO), which starts on September 1, or October 1 for online disclosure. Taxpayers should start preparing now by downloading guidance from the HMRC website. Notification closes on November 30 after which people have to make a full disclosure and payment by January 31, 2010, for paper disclosure and by March 12, 2010, for online disclosure.

An HMRC spokesman said: "Start getting information together now. You should calculate your total liability for all undeclared taxes and duties — including interest and penalty. This will need to be as accurate as possible."

Taxpayers will have to declare, and pay, unpaid tax as far back as 20 years, including interest. Most will qualify for the penalty of 10 per cent of tax owed, although those who did not disclose in 2007 after HMRC contacted them will have to pay 20 per cent.

HMRC will allow taxpayers to nominate an agent to handle notification and disclosure on their behalf. Mr Avari says: "If there are many currencies to deal with, unfamiliar investment vehicles, double taxation issues and withholding tax to consider, taxpayers and inexperienced practitioners can easily be out of their depth. In these circumstances an agent may be preferable."