

Liechtenstein Tax Disclosure Facility

An opportunity to clear your slate with HMRC!

INTRODUCTION

The Government of Liechtenstein and HM Revenue & Customs ("HMRC") have jointly announced a new agreement which means that all accounts and assets (including trust funds) held in Liechtenstein have to be disclosed to HMRC. This disclosure is to be coupled with a dedicated Liechtenstein Disclosure Facility ("LDF") to declare unpaid tax liabilities to HMRC under quite generous terms.

We stress that the LDF is available to anyone with undeclared offshore income and gains even if the money or assets are not presently invested in Liechtenstein. Further details below.

Anyone with undisclosed tax liabilities in the UK arising from accounts or assets in Liechtenstein must assume their details will become known to HMRC. Rather than waiting for HMRC to identify you, it is recommended that you consider using the Liechtenstein facility.

The main points

The LDF can be used by people with undisclosed assets outside the UK and outside of Liechtenstein if at least some (but not necessarily all) of those assets are moved to Liechtenstein. This can result in a much better settlement with HMRC than can be obtained through HMRC's New Disclosure Opportunity for offshore accounts generally, with reduced penalties and periods under investigation. A brief summary of the advantages of the LDF is given below, but please contact us for details of the specific advantages of the LDF over the New Disclosure Opportunity for you.

All Liechtenstein financial intermediaries will be obliged to review their records and by 2015 to report to HMRC any clients which

they know are tax resident in the UK or have an address in the UK. It extends not just to banks and bank accounts but to trust companies and investment accounts/trust funds of all forms. The process will be subject to an audit procedure in Liechtenstein to ensure compliance.

If UK based account holders, investors or principal beneficiaries of trust funds cannot confirm UK tax compliance or that a declaration is being made now to HMRC, a Liechtenstein bank or financial intermediary will have to stop acting and accounts will be closed.

LDF Features

It runs until 31 March 2015.

It will cover the period from 6 April 1999 but will not go back for the maximum of 20 years which is usual with an HMRC investigation.

A special composite rate of 40% on accrued income and gains is available to cover all taxes (including inheritance tax) - a combination of taxes can often exceed that rate of tax. However, exact tax liabilities can be calculated if preferred.

Interest will be payable on unpaid tax but any penalty will be limited to 10% of the unpaid tax declared.

There is a guarantee of non-prosecution by HMRC, providing the funds in Liechtenstein are not from the proceeds of crime (other than tax evasion). This goes much further than other more general facilities for declaring unpaid tax offered by HMRC, which hint at but do not guarantee non-prosecution.

Anyone disclosing under the LDF will not be "named and shamed" under the new proposal for tax evaders to be publicly identified.

However, the Liechtenstein facility cannot be used if a person is already under investigation by HMRC or if the Liechtenstein or other offshore account/trust etc was opened through a UK agency, for example a UK bank.

If you or any of your clients would like to discuss any aspect of the LDF or would like help making a disclosure under the LDF, please contact your usual FSI contact or Brian Slater.



Brian Slater is the head of our commercial tax division and regularly writes and advises on tax issues for both corporates and individuals.

Corporate Group

If you would like more information on FSI's services, please visit fsilaw.com where you will find all our latest news, publications and events. Alternatively, contact Brian Slater, partner, head of commercial tax division, +44 (0)20 7323 4000.