INTERNATIONAL ADVISER

HMRC deadline nears for UK non-doms, Pinsent Masons warns

People with non-domiciled tax status living in the UK who wish to preserve the anonymity of their offshore finances must notify HMRC by 30 May, warns international law firm Pinsent Masons.

Otherwise full details of their offshore accounts, trusts and companies held in Crown Dependencies or British Overseas Territories will be shared with HMRC from September 2016 under new rules stemming from the Foreign Account Tax Compliance Act (FATCA).

To avoid this happening, non-doms in the UK have to elect to join HMRC's alternative reporting regime by the May deadline, in which case offshore financial institutions will only have to report the details of accounts and trusts which have remitted cash to the mainland UK but not other assets.

Pinsent said it was likely the tax office would start investigations into those who fail to join the alternative reporting scheme.

However, if non-doms elect to join HMRC's alternative reporting regime, offshore financial institutions will only have to report the details of accounts and trusts which have remitted cash to the mainland UK and not other assets.

According to the law firm, the jurisdictions involved include crown dependencies like the Isle of Man, Guernsey, and Jersey, and the British Overseas Territories of Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks and Caicos Islands.

"Non-doms who fail to act quickly will lose a great deal of anonymity and potentially make themselves vulnerable to lengthy, in depth tax investigations," said Paul Noble, tax director at

Pinsent Masons.

“In many cases these investigations will be unnecessary, and have the potential to generate a lot of disruption, even for taxpayers whose tax affairs are compliant."

“HMRC will be able to use the additional FATCA information to launch investigations. The level of detail that offshore financial institutions will have to disclose about their clients far exceeds that required in a normal UK tax return. For example, FATCA requires the disclosure of the balances held in each account.”

Time lag in place

Pinsent Masons noted there was a time lag between the deadline for electing to use the alternative reporting regime and the exchange of information taking place. The information due to be exchanged in September 2016 will cover calendar years 2014 and 2015.

“Those with non-compliant offshore accounts cannot do anything about their 2014 reporting, which will be disclosed to HMRC in September 2016. There is still time however for anyone whose tax affairs have got out of hand to inform the Revenue whilst the current rules are still in place. This will make non-doms and their advisers much better able to manage the situation.”

Non-doms who miss the deadline and who are worried that they are not compliant will still have the opportunity to disclose any ongoing non-compliance to HMRC and potentially mitigate the consequences.

Noble said that even if the information that HMRC receives through FATCA does not demonstrate that a non-dom has evaded tax, it could still be used to launch an investigations into an individual non-doms’ finances.

“Indeed most of this information will be irrelevant to HMRC but they will still have access to it, and will seek to use it to their advantage. Advisers should be recommending to any non-dom clients that they elect to the alternative reporting regime as soon as possible,” he said.

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