

New legislation: Requirement to Correct

The 'Requirement to Correct' has been introduced by HMRC in relation to any tax irregularity in respect of any offshore assets, income or gains, however such irregularity may have been caused.

Deadline

You must notify HMRC of your desire to correct any irregularity by **30 September 2018** if there are uncorrected irregularities. Failure to do so will lead to significant penalties.

The penalties

The penalty regime is punitive, in that there will be a minimum 200% penalty of the underpaid tax plus a further 50% uplift for any attempt to move assets to other jurisdictions to avoid detection.

In addition, there is a 10% asset-based penalty if the undisclosed tax exceeds £25,000 in any tax year. This can lead to very significant penalties, particularly for relatively small amounts of income which are generated from assets of any value.

The penalties also apply irrespective of how the irregularity arose and there is no distinction between an innocent error of omission and deliberate attempts to hide such income, although there will be some relief where a reasonable excuse can be provided. There are however relatively few instances that HMRC accept as providing a reasonable excuse.

Appealing

There will be an ability to appeal the penalty through the Tax Tribunals although as yet, of course, we have no idea how the tribunal will view matters and therefore what possible relief against the penalties may be available.



Need our help?

If you have any queries, please do not hesitate to speak to Linda Warner or Jane Alsop.



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