

GUIDE

Budget 2015: Liechtenstein Disclosure Facility announced to be Closing Early

George Osborne announced on 18 March 2015 in his pre-election budget speech that the Liechtenstein Disclosure Facility (LDF) will be ending on 31 December 2015, almost four months before the original confirmed closing date of 5 April 2016.

Background

In advance of the introduction of the Common Reporting Standard in 2017 the government will be introducing a new 'last chance' time limited disclosure facility from 2016 to mid-2017. The new facility will be on much less generous terms than those currently offered in the existing disclosure facilities.

The government has decided that it will be closing the LDF early on 31 December 2015. Therefore it is more important than ever before that individuals, executors, beneficiaries, companies, partnerships and trustees with any undeclared offshore income and gains should come forward and declare them under the current considerably more favourable terms offered under the LDF.

Terms of the new disclosure facility

The Budget 2015 has stated that penalties will be a minimum of 30% and there will no immunity from criminal prosecution in appropriate cases. The balance of the terms of the new disclosure facility is not yet known.

Comparative to current facilities

The terms of the LDF are clearly more favourable than those that are intended to be offered under the new facility. Settlement figures are likely to be substantially different where a penalty is levied at 'at least 30%' over the period from 1999 to 2009 compared to 10% that is offered for the ten year period under the terms of the LDF.

Who can take advantage of the LDF

All taxpayers (including individuals, executors, beneficiaries, companies, partnerships and trustees) who hold, or have acquired, 'relevant property' in Liechtenstein can take advantage of the LDF. However in August 2014 various amendments were made to the LDF, including limiting those who could enter the process. The term 'relevant property' covers a number of assets, the most common being bank/portfolio accounts or interests in trust/corporation/foundation structures. It is not a requirement that an asset be owned in Liechtenstein prior to considering taking advantage of the LDF, but 'relevant property' must be acquired at the time the terms of the LDF are requested (we are able to introduce you to a number of providers that can assist you with this).

In order to take advantage of the full preferential terms of the LDF the taxpayer must have held an interest in an offshore asset as at 1 August 2009. The disclosure cannot relate to a HMRC intervention (most commonly a tax enquiry) over three months old, new information being provided and the disclosure should have substantial connection to the offshore asset being disclosed. It is possible to enter into the terms of the LDF if you did not hold an offshore asset at 1 August 2009 but the preferential terms offered will be limited to the immunity from criminal prosecution under the facility.



Preferential terms of the LDF

- HMRC guarantees immunity from prosecution for those making full and complete disclosures.
- Tax liabilities are limited to periods from April 1999 onwards.
- Tax geared penalties are limited to 10% of the additional tax due up to 2009.
- LDF participators will not be subject to Prompt Payment Discount (PDD) (the publishing of details of deliberate tax defaulters on the HMRC website)
- A Composite Rate Option (CRO) can be used to simplify how the tax liabilities are calculated and, in certain circumstances, can reduce Inheritance Tax (IHT) liabilities to nil. In addition, the CRO can be utilised for companies in order to significantly simplify the calculation of tax due. A Single Charge Rate (SCR) is available for tax year 2010/11.
- Complete the Disclosure Report and supporting workings.
- Submit the disclosure report to HMRC.
- Obtain confirmation from HMRC that the disclosure is accepted and the matter is closed.

Next Steps

If you believe you have any previously undisclosed offshore income and/or gains now is the time to take action and disclose under the preferential terms of the LDF. The LDF disclosure facility will be open until 31 December 2015.

If you would like any further information regarding this service please contact a member of our tax team.

The LDF Process

Edwin Coe will take you through the process step by step and provide you with as much clarification as you may require:

- Discuss your situation with Edwin Coe to establish whether the LDF is required and the most suitable way of addressing the issues.
- If you have decided that the LDF is the most appropriate solution then Edwin Coe may seek to approach HMRC on a 'no names' basis to discuss the scenario and ensure it is one that would qualify.
- Acquire or obtain proof of 'relevant property' in Liechtenstein.
- Register an intention to disclose.

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This guide concerns the law in England and Wales and is intended for general guidance purposes only. It is essential to take specific legal advice before taking any action

