Requirement to Correct

The purpose of the Requirement to Correct (RTC) legislation is to compel those with undeclared offshore tax liabilities to disclose them to Her Majesty's Revenue and Customs on or before 30 September 2018.

RTC applies to people who pay tax in the UK and relates to Income Tax, Capital Gains Tax, Inheritance Tax and all tax liabilities – it is part of HMRC's crackdown on offshore tax evasion and non-compliance.

30 September 2018 was chosen as the final date for corrections as this is when more than 100 countries will exchange data on financial accounts under the Common Reporting Standard (CRS). This will significantly enhance HMRC's ability to detect offshore non-compliance.

Those who fail to comply will face significant financial penalties.

Anyone who owns or has an interest in assets held offshore or has had an offshore source of income or has moved income or the proceeds of capital gains offshore is potentially affected. Such assets may or may not be held within a company, trust or any other type of offshore entity or structure for them to be affected.

Examples of assets may include:

- art and antiques
- bank and other savings accounts
- boats
- cash
- debts owed to you
- gold and silver articles
- government securities
- jewellery
- land and buildings, including holiday timeshare
- life assurance policies and pensions
- other accounts, such as stockbroker's or solicitors'
- other bond deposits and loans
- rights or intellectual property
- stocks and shares
- trusts
- vehicles.

This list is not exhaustive and any asset held offshore may lead to a requirement to correct.

Failure to correct penalties

The standard penalty will be 200% of the tax liability – although this can be mitigated it cannot be reduced below 100%.

Where the tax involved is greater than £25,000 penalties of up to 10 per cent of the value of assets connected to the failure will be charged in addition to the standard penalty.

HMRC may also publish details of deliberate tax defaulters.

There will also be a potential further penalty of 50% of the standard penalty if it can be shown assets were moved to avoid reporting these to HMRC.

To avoid becoming liable to these new higher penalties, you must correct the position by no later than 30 September 2018. If you do this, the tax and interest will be collected and the existing penalty rules will apply.

The only defence against the penalty is if a person had a "reasonable excuse" not to correct but the criteria for a "reasonable excuse" is very limited.

For anyone not absolutely certain their offshore affairs are compliant they should urgently review their position and make any disclosure/correction as appropriate.

ILS World does not offer tax advice, this briefing note should not be construed as tax advice and ILS World would recommend you obtain your own tax advice. If you require an introduction to a tax adviser we would be happy to assist.

For further information please contact your ILS World administrator or enquiries@ils.world