

WING TIPS

The Taxman cracks down on offshore bank accounts

In the last few years, there has been an increasing impetus by governments to tackle money laundering. When many people think of money laundering they imagine terrorists, arms-dealers or drugs barons but the overwhelming majority of suspicious activity reports made to the authorities actually relate to tax evasion. We have seen the introduction of The Proceeds of Crime Act in the UK, the EU Savings Tax Directive and not to mention various initiatives to tackle tax evasion.

As part of these initiatives HM Revenue & Customs (HMRC) are further increasing their focus on UK residents holding offshore bank accounts. This stems from their belief that such accounts are often used for the purpose of tax evasion.

In recent months HMRC have made a co-ordinated effort to use their statutory powers to obtain details of UK resident individuals holding accounts offshore. The latest step undertaken by HMRC has been to start writing to holders of accounts offshore inviting them to reconsider their tax affairs and where appropriate to send full details to HMRC of anything that may be incorrect.

The letters stress that they are not the formal opening of an investigation into the recipients affairs but an enquiry will commence if the recipient fails to respond to the letter within 30 days. Although there is no statutory authority behind this arbitrary deadline it should be taken extremely seriously.

Of course there will be many thousands of offshore account holders who do not have any problems with their tax affairs. It is important that such account holders clarify their position with HMRC without due delay. It is also vital that anyone with a specific problem seriously consider their response and not ignore HMRC's threat. It goes without saying that any recipient of such a letter take appropriate professional advice from an adviser expert in dealing with tax investigation matters.

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