



LANCE®

WHITE PAPER

No Safe Havens

A look at HMRC's current offshore strategy,
its implementation and development

NEW LEGISLATION PUBLISHED 2019

Introduction

In 2013 HMRC published its offshore strategy document “No Safe Havens” which set out the measures that HMRC would adopt to tackle offshore tax evasion.

In March 2019, HMRC published an updated version of the “No Safe Havens” strategy document. This document outlines the measure taken by HMRC since 2013 and how the strategy now includes non-compliance as well as tax evasion.

This white paper outlines updates to legislation in relation to the no safe havens strategy in both 2013 and 2019. It also examines the subsequent updates and changes that HMRC has made to deliver their strategy. Finally, the white paper explains how LANCE can assist in identifying offshore UK tax compliance and how this fits with HMRC’s no safe havens strategy.

2013 Legislation

The 2013 strategy was very much focused on HMRC’s approach to tackling offshore tax evasion. The clear intention was to arrive at a situation where:

- There are no jurisdictions where UK taxpayers feel safe to hide their income and assets from HMRC.
- Would-be offshore evaders realise that the balance of risk is against them.
- Offshore evaders voluntarily pay the tax due.
- Those who do not come forward are detected and face vigorously enforced sanctions.
- There will be no place for facilitators of offshore evasion.

What has changed since 2013

In implementing their strategy, HMRC have introduced numerous compliance initiatives to facilitate disclosure for UK taxpayer. There have also been global factors such as the introduction and spread of global information working to HMRC’s advantage. Detailed below are the most prominent changes in the tax compliance landscape:

HMRC offshore compliance initiatives:

HMRC has recovered more than £2.9bn since 2010 from its offshore compliance initiatives, including the following:

- Lichtenstein Disclosure Facility (2009-2015): A new and innovative disclosure facility known as the LDF, providing beneficial arrangements to UK taxpayer. It is envisaged that the ultimate tax, interest and penalties could be as high as £2bn. With over 7,500 UK taxpayers having registered.
- Crown Dependencies Disclosure Facility (2013-2015): HMRC negotiated with the crown dependencies of Jersey, Guernsey and Isle of Man for a deal similar but not as beneficial as the LDF.
- UK/Swiss Agreement (2013): Introduced as a withholding tax arrangement, UK customers were able to request their Swiss bank to apply a complicated formula agreed with HMRC in exchange their anonymity would be protected.
- Worldwide Disclosure Facility (2016-Current): Giving anyone the ability to make an online disclosure regarding offshore liabilities.
- Requirement to Correct (2018): As a consequence of the global adoption by more than 100 countries worldwide of the Common Reporting Standard (CRS) HMRC adopted RTC to compel those not yet registering offshore interested to do so by 30th September 2018. More than 18,000 UK taxpayers registered under the Requirement to Correct procedures by 30 September 2018.

Common Reporting Standards:

By 30 September 2018, more than 100 countries have implemented automatic exchange of tax information procedures with each other under the Common Reporting Standard. In 2018 HMRC received information about the financial interests of 3 million UK resident individuals or entities they control.

Data Leaks:

- Panama papers: Leak of 11.5m files from the world's fourth largest offshore law firm's database, Mossack Fonseca, based in Panama in 2016. HMRC expects to recover duties in excess of £190m from its investigation of the Panama papers.
- Paradise papers: Leak of 13.4m files from two offshore service providers and 19 tax havens company registries in 2017. Estimates have not been provided as yet on HMRC's investigation of the Paradise (Bermuda) papers

2019 Legislation

In their latest 2019 publication, HMRC have suggested significant steps have been taken to reduce overall levels of tax evasion. They have indicated that their primary focus will move to making it easier for offshore investors to ensure they are paying the right amount of tax at the right time. HMRC have however noted that for a minority of offshore investors and their advisors, non-compliance will still feature. This group will face a robust response from HMRC with the use of the latest technologies to track them down. New civil and or criminal offences will then be implemented to tackle these ongoing issues. With this in place, the key strategic aims for HMRC for 2019 and beyond will consist of the following:

- Maximisation of revenues and bear down on avoidance and evasion.
- Transformation of tax and payments for customers.
- To design and deliver a professional, efficient and engaged organisation.

How will HMRC deliver its 2019 strategy?

HMRC is investing over £1.3bn in its Making Tax Digital programme focusing on the development of systems and processes in a fast-moving digital world to ensure customers pay the right amount of tax at the right time. For customers with offshore data, HMRC intend to undertake trends analysis to develop systems and processes that are targeted at preventing unintentional mistakes before they are made and ensuring customers remain compliant in the future. It will maximise its current "state of the art" digital analytical risking tool known as "Connect" to identify those customers and their enablers who have offshore interests to risk assess the potential for non-compliance through outdated tax planning, avoidance or evasion. Connect is able to cross reference more than 22 billion lines of data including offshore financial information to annually generate more than 500,000 potential cases for HMRC to enquire into.

HMRC also continues to work collaboratively with other leading Revenue Authorities to share best practice including other innovative analytical approaches to mine the vast amount of offshore information collectively held.

The role of LANCE

As part of Making Tax Digital HMRC actively encourages the development of software packages to support its customers in meeting their appropriate tax compliance obligations. LANCE is fully compatible with the new HMRC strategy as an online compliance platform designed for offshore structure providers to risk assess their own and their client's exposure to UK taxes as a cost effective and resource saving tool. It has a range of applications including the identification of historic tax non-compliance, future annual health checks to ensure tax compliance is maintained, due diligence when onboarding new clients, identifying training needs and as an important defence to the new Corporate Criminal Offence.