Tax transparency

Preparing for increases in the international exchange of tax data

As new tax transparency initiatives are implemented globally, taxpayers face new challenges. What is acceptable to one authority may be less so to another; misunderstandings can easily arise and inevitably the more scrutiny a matter receives the more likely it is that questions will be raised. Deloitte can help you to anticipate consequences and plan accordingly to maintain compliance and avoid misunderstandings.

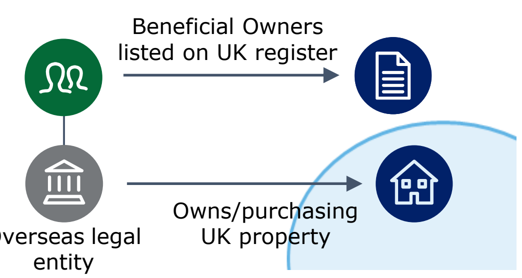
Developments in global information exchange

In the last few years, many countries have adopted tax transparency initiatives that either are already, or are about to be in force. The result is a much greater automatic exchange of information through for example, US led FATCA, the OECD and EU driven Common Reporting Standard and, in the UK, the Beneficial Ownership Registers.

Beneficial Ownership Register

In 2016 the UK government introduced a register of Persons with Significant Control of UK companies. In late 2017 a similar register concerning UK trusts will go live.

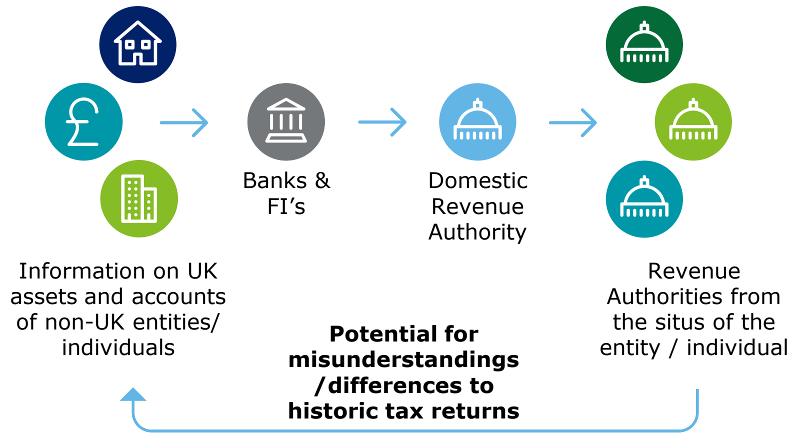
Following on from this initiative, the UK government is now considering establishing a register that would include information on the beneficial ownership of overseas companies, or any overseas legal entity owning or looking to buy property in the UK.



There are EU calls for the automatic cross-border exchange of information contained on these, and other equivalent, Beneficial Ownership Registers.

Automatic Exchange of Information

To date, 101 countries have committed to the Common Reporting Standards initiative. Financial institutions will provide information on non-UK residents with financial accounts and investments in the UK to HM Revenue & Customs (HMRC). HMRC will share this information with the relevant countries. These include the 101 current signatories. Additionally, HMRC may come under pressure to share information it has, and information it has received from foreign revenue authorities, with other requesting foreign revenue authorities (including those with which it has bi-lateral arrangements, but who are not direct recipients of this CRS data themselves).



Risks arising from the new regimes

Increased exchange of information between revenue authorities and publicly available data have the potential to create friction with revenue authorities, even when the tax arrangements in place are fully compliant. Revenue authorities may receive information that only gives a partial picture of the tax position, which can prompt further investigations and enquiries notwithstanding that the taxpayer believes themselves fully compliant.

Tax transparency

New transparency regimes create an increased possibility of misunderstandings with revenue authorities and make the discovery of historical non-compliance more likely.

Common issues arising:

Misunderstandings with revenue authorities

- Enquiries from revenue authorities can be long-running and stressful even if there is ultimately no tax to pay
- Complex and/or offshore structures will have data exchanged but will not necessarily have to pay further tax

  Under the Common Reporting Standard, the full value of a trust may be reported on the settlor, but only in specific circumstances will the settlor be required to pay tax.

If HMRC identify historic errors

- Investigations into individuals and business assets may be triggered
- Increasingly high penalties on top of the tax (especially after 30 September 2018 when HRMC's 'requirement to correct' period ends)
- Increasing trend toward 'naming and shaming' if there is over £25,000 in tax to pay
- Non-compliance in the face of these new transparency measures poses the serious prospect of reputational damage

How Deloitte can help

Deloitte can provide a range of services to help you understand your data exposures, avoid misunderstandings and address any historic non-compliance.

Tax risk review

Deloitte can review record keeping methods for likely completeness and robustness of reporting so that any misunderstandings raised as a result of global information exchanges can be explained swiftly and accurately.

Mapping your global tax footprint

We can help with understanding which jurisdictions your tax and asset data will be exchanged with, how this relates to data already provided via tax returns, and obligations in relation to the Beneficial Ownership Registers.

HMRC matters

We can help prepare voluntary disclosures to HMRC, provide input on penalty negotiations, provide assistance in responding to HMRC informational requests, and provide support around meetings with HMRC with a view to building a positive and open relationship.

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