



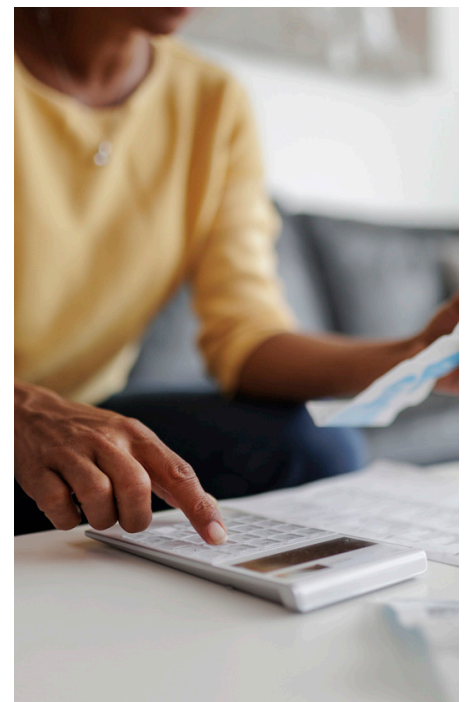
What are offshore income and gains?

Generally speaking, offshore income and gains mean any income or gains generated through activities performed outside the UK. They include employment earnings, savings interest, dividends or overseas rent, and any gains from capital disposals.

Why do I need to declare offshore income and gains?

If you are UK tax resident and domiciled in the UK, you're required to report your worldwide income and gains to HMRC. You may not need to report it if you're not UK domiciled or, from April 2025, if you have recently moved to the UK.

It's very important to note that any income and gains generated worldwide need to be considered for UK tax reporting. You may have some income that is exempt from tax overseas, that is already taxed in the overseas territory, or even a loss arising from overseas; it doesn't always mean that these sources of income and gains get the same tax treatment in the UK. It's possible that these still need to be taxed in the UK. Your Larking Gowen advisor can help you report the correct amounts.



What should I do if I receive an HMRC 'nudge letter'?

If you receive a letter, please read it carefully. HMRC will have sent out the letter because they have information to indicate that you have untaxed overseas income or gains. You can contact HMRC to request further details, or Larking Gowen can do this for you.

You'll need to check all your income and gains thoroughly and reply to HMRC. Even if you're confident that no income or gains need to be reported, it's still necessary to tell HMRC that all of your tax affairs are up to date.

If you discover that, unfortunately, you missed declaring income or gains from abroad, we can first consider if they can be covered by the tax-free allowances in the UK. If not, a proper disclosure needs to be submitted to HMRC.

How to report the offshore income and gains

The simplest way to report the offshore income or gain is to include this on your tax returns and pay the tax liabilities as usual. However, if you have missed reporting offshore income or gains for a number of years, you can no longer amend your tax returns. Instead, you'll need to use HMRC's Worldwide Disclosure Facility (WDF) to make a voluntary disclosure.

Larking Gowen can help you with this using the following steps:

1. You may first receive an HMRC 'nudge letter' asking you to declare that your tax is up to date. If you discover any income or gains that should have been taxed in the UK, but were not, you'll need to respond to the letter saying that you will correct this.
2. We can use HMRC's digital disclosure service to notify your intention to report the offshore income or gains.
3. After the notification, HMRC will send you a letter confirming your registration, the unique disclosure reference (DRN) and payment reference (PNR) to complete the disclosure.
4. HMRC will give 90 days to complete the disclosure, during which we'll work with you to calculate your untaxed income or gains on a year-on-year basis and the tax liabilities accordingly.
5. HMRC also require you to self-assess the interest and penalties due. Following the required rules, we can calculate the late payment interest, and apply the penalties based on your behaviour.
6. Once you're happy with the figures, we can submit the disclosure to HMRC.
7. HMRC will contact you about the disclosure. If they agree with the disclosure, you can make the payment and it's finished. If HMRC disagree with the disclosure, further communication with HMRC will be continued until a conclusion is reached.

What are the penalties?

The penalties range from 0% to 200% of the tax due depending on when the undeclared income arose, what country it was from and what your behaviour has been.

A voluntary, unprompted disclosure to HMRC will carry a lower penalty rate than one which was prompted by a nudge letter. A deliberate attempt to avoid reporting the income or gain will carry a higher penalty than a careless mistake. It's therefore important to seek professional advice and properly check all your overseas income or gains to make sure that nothing is overlooked. This can be done at any time; there's no need to wait for the nudge letter as by then it will be too late to achieve the minimum penalties.

Act now

HMRC continue to receive information from more than 100 countries worldwide to help tackle global tax evasion. For many people, it will be a matter of not knowing the rules rather than deliberate tax evasion. In this case, early action is key to minimising what you'll have to pay. If you have unreported overseas income or gains, and you think UK tax may have been underpaid, then get in touch with us now.



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