

INTERNATIONAL TAXATION

HM Revenue & Customs in the UK scour the world for non-compliant taxpayers

By Paul Malin

HM Revenue & Customs (HMRC) in the UK are continuing their fight against all forms of tax evasion and aggressive tax avoidance. HMRC's track record in this area is at best mixed but this may now be changing to their advantage.

There is no doubt that the world has become a much smaller place and improved communications allow information to be easily and seamlessly transmitted. HMRC's Offshore Co-or-

dination Unit (OCU) exists to counter the shifting of income, profits and gains between tax jurisdictions without any rationale other than to pay less tax. The OCU travels the world, without actually leaving Birmingham in the UK.

The profusion of treaties between the developed countries of the world has made it much harder to conceal such transactions. The recent opening up of certain "tax havens" has greatly enhanced the speed at which data and other information is shared between taxing authorities. The UK is but one country that currently transmits data and shares intelligence on an automatic basis.



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Should taxpayers be worried?

Yes. Taxpayers who seek to be compliant can now be challenged quickly with little time to correct matters. Those other taxpayers who chose to conceal their wealth are finding it increasingly

difficult to do so. Taxpayers in the middle may not know which way to turn.

How can taxpayers be helped?

For many years, tax investigations in the UK followed an unwritten format. Having been discovered, taxpayers would be challenged by HMRC, although the damning evidence would never be volunteered at the start. Months, if not years, would then be spent guessing at what HMRC might or might not have in their possession. Now, with the aid of technology, HMRC assemble the data and confront taxpayers (and non-taxpayers) as almost a *fait accompli*. Any taxpayer who is concerned that they may soon be targeted by HMRC should seek specialist advice. Based on all the relevant facts, taxpayers can be advised on the best course to follow. ...next page



What happens if they don't help themselves?

To put it bluntly, in this scenario taxpayers may face the full wrath of HMRC. HMRC can pursue tax evaders on either a criminal or civil basis depending on the

strength and quality of the evidence held. The same applies to tax avoiders where the tax scheme is considered to be too aggressive. It is not only the taxes overdue for the years concerned that must be paid, but also all interest on that amount. The only financial difference between civil and criminal proceedings is that penal-

ties are sought under civil proceedings, with the level of penalty contingent on which of the three categories the country falls within. The most severe penal category carries penalties of up to 200% of tax due. A list of which territories fall into which category can be found on the HMRC website ([click here](#)).