



HM Revenue  
& Customs

## The Requirement to Correct: What you need to know

### What is the Requirement to Correct?

HMRC has introduced new legislation called the Requirement to Correct. This requires UK taxpayers to make sure that all their foreign income and assets, where there might be tax to pay, have been declared to HMRC before the 30<sup>th</sup> September 2018. From the 1<sup>st</sup> October 2018, new, substantially higher penalties will apply for those who have failed to pay all the tax due on foreign income and assets. To avoid these new penalties, action must be taken now.

### Does it affect me?

Many people may not realise that some straightforward actions, such as renting out a property abroad or transferring income or assets from one country to another, could mean having to pay tax in the UK. This includes having income from or an asset in the Channel Islands, Isle of Man, the Republic of Ireland, the EU or anywhere else in the world. These must all be declared to HMRC.

Although the Requirement to Correct applies to people who pay tax in the UK, it could still affect you if you live abroad and pay tax outside of the UK, for example people who rent out their UK home whilst living in another country.

### What action should I take?

If you are concerned that you haven't told HMRC about foreign income or assets, or that you have transferred UK income abroad without paying the UK tax on it, you should make a disclosure to HMRC before the 30<sup>th</sup> September 2018.

If you are confident that your tax affairs are in order, then you do not need to worry. If you are unsure, we recommend you seek advice from a professional tax advisor or agent.

### How do I make a correction to my tax affairs?

The main route to let HMRC know about previously undeclared income or assets is the Worldwide Disclosure Facility through the Digital Disclosure Service. This is the final opportunity to make a disclosure before the penalties rise.

## **Why act now?**

A disclosure or discovery after the Requirement to Correct deadline will be subject to much tougher Failure to Correct penalties. This will be a penalty of 200% of the tax owed, which may be reduced to an absolute minimum penalty of 100% of the tax owed depending on taxpayer cooperation with enquiries and the quality of disclosure. There is also an Asset Based Penalty of up to 10% of the underlying asset for serious cases; and an additional penalty for situations in which HMRC can show the taxpayer moved their assets to avoid reporting.

Currently, if you enter the Worldwide Disclosure Facility to disclose historic offshore evasion you would likely pay a penalty of 30% of the tax due. After the 30<sup>th</sup> September deadline, the average penalty may be around 150% of the tax due. This means, for example, if you owe £10,000 in tax now, your total bill for a disclosure made before the deadline would be around £13,000 plus statutory interest. In comparison, if you wait, a disclosure or discovery after the 1<sup>st</sup> October could result in a total bill of around £25,000 plus statutory interest.

We would also like to make you aware that HMRC is beginning to receive an unprecedented amount of information about foreign income and assets under the Common Reporting Standard (CRS) exchange of information. By September 2018, more than 100 jurisdictions will be exchanging data with the UK under the CRS. The CRS data will provide HMRC with information on UK taxpayers' bank accounts, investments and trusts held around the world. HMRC will use this information to open tax enquiries, issue tougher penalties, and take forward criminal prosecutions against those who avoid paying the tax they owe.

The Requirement to Correct period, from now until 30<sup>th</sup> September 2018, is the last opportunity to put things right before HMRC receives the CRS data and the new penalties apply.

## **Where can I find further information or make a disclosure?**

To make a disclosure, or for further information on the Worldwide Disclosure Facility, visit [www.gov.uk/guidance/worldwide-disclosure-facility-make-a-disclosure](http://www.gov.uk/guidance/worldwide-disclosure-facility-make-a-disclosure).

Technical guidance on the Requirement to Correct for agents and advisors can be found at <https://www.gov.uk/guidance/requirement-to-correct-tax-due-on-offshore-assets>.