

DEADLINE FOR MAKING DISCLOSURES OF FOREIGN INCOME & ASSETS

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Many taxpayers will have received correspondence from the Revenue Commissioners in early March 2017.

The purpose of this letter was twofold:

- To advise taxpayers on how to amend errors in their 2015 tax returns and
- To remind taxpayers about the forthcoming disclosure deadline of 30th April 2017, where they have offshore tax issues.

Finance Act 2016 included provisions to tackle offshore tax evasion, as a result of the Panama Papers controversy. In addition, the Revenue Commissioners now have access to a much broader spectrum of information through the international exchange of information between countries.

30th April 2017 is the key date for taxpayers who have not paid tax on foreign income or foreign assets. If taxpayers come forward before 30th April 2017 and disclose and pay outstanding tax liabilities involving offshore matters, they may receive the benefits that currently apply to qualifying disclosures – i.e. reduced penalty, non-publication of the default and avoiding a criminal prosecution.

If the deadline passes, and such offshore matters are not disclosed and tax remains unpaid, the taxpayer may lose the benefits of a qualifying disclosure.



Offshore matters are a lot more wide-ranging than you may first think. They include bank accounts, income, gains, property and shares held anywhere outside of Ireland not just in what we may perceive as tax havens like, say, the Caymen Islands. The following are examples of situations where you could actually have an “offshore matter”, but may not be aware of it:

- If you have a bank account outside of Ireland, but have not declared interest earned from that account.
- If you have property abroad which you rent out but have not declared the rent to the Irish tax authorities (notwithstanding the fact that you may have paid tax in that foreign country).
- If you sold a foreign property, but did not pay the Irish capital gains tax, it could be an offshore matter notwithstanding the fact that you may have paid capital gains tax in that foreign country.
- If you hold shares in a company from a foreign jurisdiction, and received dividends from those shares which you have not declared to Revenue.
- You may have inherited a foreign asset and incurred an inheritance tax liability which has not been paid.

The key point is that, if you are aware that you may have any outstanding tax liabilities that relate to a foreign element, you should act before 30th April 2017 so that you can benefit from making a qualifying disclosure.



This is a voluntary disclosure whereby the taxpayer advises the Revenue Commissioners, before the commencement of a Revenue audit, that they have undisclosed income, gains etc. or that they have reported items which are incorrect. The benefits of disclosing such information are:

1. Lower penalties
2. Your name as a tax defaulter is not published
3. No criminal prosecution is initiated

If the details of the foreign tax default are not disclosed by 30 April 2017 and the tax liability is not paid, you could lose those benefits. The penalty that could apply to a person making a first-time qualifying disclosure can range from 3% to 50% of the tax payable. If the foreign tax default is not settled before 30th April 2017, the penalty can be as high as 100% of the tax payable.

It is worth noting that no penalty will be payable if a taxpayer's liability does not exceed €6,000.

IN SUMMARY

We appreciate that this information may cause concern for many people, but there is no need to panic. Just pick up the phone and we can assist you if you feel you fall into this category.

Here in Peevers Slye Cotter Taxation Services we have a specialised team who can sit down with you and discuss the matter and make the necessary disclosures if needs be.

You can email me directly at fmoriarty@psc.ie or call the office on **066 7126333** and we will be happy to help.

Example

Harry has an apartment in Germany which he has rented out for the past 10 years. He earns a rental profit of €10,000 each year. He files his annual Irish income tax return, but he has not included the foreign rental income on the Irish tax returns. Harry wants to get his tax affairs in order.

If Harry makes a qualifying disclosure before 30th April 2017, his tax liability will be:

	€
Tax, PRSI, USC etc	50,666
Interest	20,081
Penalty 10%	5,066
Total Due	75,813

If Harry declares after 30th April 2017, his tax liability will be:

	€
Tax, PRSI, USC etc	50,666
Interest	20,081
Penalty 75%	37,999
Total Due	108,746

In the first scenario, Harry would not be published on the tax list of defaulters and Revenue would not take steps to initiate a prosecution.

In the second scenario, however, his settlement would be published in the list of tax defaulters. In addition, he would have higher penalties, as outlined above.

Finally, Revenue could also bring criminal proceedings against him.

