



A professional services organisation serving the needs of international private clients, their businesses and their families

“We can assist with helping you through the LDF process, making a disclosure and considering whether you are able to bring non-Liechtenstein assets with the LDF.”

Following a historic agreement with the UK, the Government of Liechtenstein has committed to introduce a five year taxpayer assistance and compliance programme under which financial intermediaries in Liechtenstein will need to be satisfied that, where appropriate, clients are declaring Liechtenstein investments to the UK authorities (“HMRC”).

To assist with this, HMRC have launched a special disclosure facility, the LDF, which allows those with tax difficulties, linked to overseas assets, to make full disclosure and settle unpaid UK tax liabilities under favourable terms. However, to take advantage of the LDF it is not necessary to currently hold assets or a bank account in Liechtenstein.

Who can use the LDF and when is it available?

The LDF runs until 31 March 2015 for those with undisclosed UK tax liabilities, including individuals, partnerships, company directors, trustees, settlors and beneficiaries.

Trustees and directors of offshore structures can also participate in the LDF. For example, where UK tax liabilities have arisen in respect UK Inheritance Tax (IHT) or UK source income. The LDF may also be of assistance for those with offshore “mixed funds” or those considering repatriating money to the UK given the current economic climate.

The LDF is available from 1 September 2009 for those with undisclosed tax liabilities connected with existing assets in Liechtenstein as at 1 September 2009.

From 1 December 2009, it is available for those with undisclosed tax liabilities connected with overseas assets outside of Liechtenstein but who acquired an asset in Liechtenstein at any time between 2 September 2009 and 31 March 2015. An asset for this purpose is defined broadly and includes a bank or financial

(portfolio account), companies, trusts foundations, partnerships and insurance policies.

All assets and accounts do not need to be moved to Liechtenstein in order for them to qualify for the LDF. It is just necessary to establish a connection or “footprint” with Liechtenstein, for example by opening a new bank account there with a small balance. Then the LDF can be used for the disclosure of any UK tax liability connected with an overseas asset.

However, professional advice should be obtained before moving assets to Liechtenstein and there are certain exceptions and potential restrictions of the LDF terms that should be considered carefully.

What is special about the LDF?

Those disclosing under the LDF will be able to take advantage of special terms, including:

- A guaranteed immunity from prosecution for tax related offences (provided full disclosure is made and the monies are not from criminal activities).
- A 10% fixed penalty on the underpaid liabilities (although full interest charges will have to be paid).
- Recovery of UK taxes will be limited to a 10-year period from 6 April 1999 for individuals and 1 April 1999 for ‘legal persons’ such as companies, trusts etc; not the normal statutory time limit of up to 20 years.
- The LDF covers all UK taxes, including IHT which under normal circumstances there is no time limitation for recovery.
- The option to choose whether to use a single composite rate of 40% (which may be helpful in circumstances where different tax liabilities arise on the same money e.g. IHT savings) or to calculate actual liability on an annual basis

under the normal rules, deducting any reliefs and allowances due.

- The option to have discussions with HMRC on a “no names basis” before making a disclosure.
- A single point of contact for disclosures and guidance can be given on previously uncertain UK tax treatments.
- No ‘naming and shaming’ i.e. taxpayers’ names will not be published as a ‘tax defaulter’ provided full, unprompted disclosure is made.

It should be remembered that some of the key aspects of the LDF are only available for the period 6 April 1999 to 5 April 2009. After this the standard tax rules, rates (e.g. 50% from 6 April 2010) and penalties apply. Therefore, anyone considering the LDF should not wait until 2015 to make a disclosure. If a disclosure is made now then tax years subsequent to 5 April 2009 can be filed on a correct basis.

How can we help?

LDF disclosures are more complicated than the other previous disclosure opportunities and they have to be made direct to HMRC’s Specialist Investigations office. Specialist professional advice is, therefore, essential in making any disclosure.

We can assist with helping you through the LDF process, making a disclosure and considering whether you are able to bring non-Liechtenstein assets within the LDF.

Disclaimer: this general information has been provided on the basis of our understanding of the current rules and legislation. Should any of the information provided be inaccurate, incomplete or misleading, we take no responsibility for any reliance placed on it. We recommend that individuals always seek specialist tax advice so that their individual circumstances can be fully considered.

Further Information

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