



HMRC Target Swiss Bank Account Holders

In October 2010 the UK and Swiss governments signed an agreement that will affect all UK residents who hold bank accounts in Switzerland. Those affected will typically have failed to declare income or gains to the UK tax authorities, relying upon the secrecy afforded by Swiss Banking laws. The agreement introduces a one-off levy (retrospective charge) to cover past tax liabilities – this can range from 19% to 34% of the accounts balance at 31 December 2010. It also introduces future withholding tax on income, dividends and gains. An individual or company with a Swiss account should urgently review their affairs and look to take advantage of the opportunities available to prevent potential Criminal Investigation being started by HMRC.

Undisclosed Income and Gains

Taxpayers have a choice to make before the agreement is ratified and comes into force on 1 January 2013. They may decide to pay the one-off levy and keep their affairs secret; they may disclose their affairs to HM Revenue & Customs (HMRC) and the

Swiss authorities, which would mean losing their secrecy; or they can choose to move their funds to another jurisdiction. Any attempt to continue to hide assets is likely to be pursued vigorously by HMRC.

The one-off levy will be charged based upon the value of the assets held at 31 December 2010 and will range from 19% to 34% of those assets. The percentage will depend on the age of the account and the amounts held over the period since 2003. The payment will be taken automatically by the Swiss bank unless either of the other routes is chosen and will be paid over to the UK to cover all taxes, interest and penalties. Payment of the one-off levy will not protect taxpayers from possible prosecution if HMRC were to investigate their affairs.

Future Withholding Taxes

The rates will be 48% for interest, 40% for dividends and 27% for gains from 2013. These rates represent small discounts to the UK rates as, in effect, tax will be paid earlier than under the UK self-assessment regime.

UK Residence

The agreement defines UK residents in a different way to normal UK tax rules and includes all UK passport holders. If you are UK resident, you fall under the terms of the US Swiss deal.

Non-Doms

As a non-dom you can opt out of the one-off levy. If HMRC subsequently identifies previous taxable remittances or other liabilities connected with the Swiss bank assets, non-doms face higher penalties or criminal prosecution. It is wise to review past years carefully, especially given the complexities around remitting money to the UK.



Non-doms may also opt for the withholding tax to only apply to UK source income and gains and remitted funds.

To opt out of either the levy or withholding tax, you may effectively be disclosing your position to the Swiss authorities. This leads on to whether HMRC may accept this information.

Interaction with the Liechtenstein Disclosure Facility (LDF)

For those who need to make a disclosure to HMRC, the LDF would normally provide a less expensive way to resolve undisclosed income/gains to HMRC. We can offer a review to help anyone understand their most effective route to disclose their affairs to HMRC.

How we can help

Given the information obtained by HMRC in respect of Swiss bank accounts, it is a question of when rather than if HMRC will choose to investigate taxpayers who have evaded UK tax in this way. Early action is recommended to establish the optimum way of making disclosure to HMRC and the implications arising from such disclosure.

If you have any queries regarding this matter, please contact our Tax Partner **Andrew Ball** on **01204 414243** or email **andy.ball@cowgills.co.uk**, for an initial overview of the issues involved.



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