

HMRC DISCLOSURES

We are seeing a huge increase in the number of people receiving prompted disclosure letters from HMRC over the past few months. The aim is to encourage taxpayers that have undeclared income and gains to bring their affairs up to date. While disclosures can cover any undeclared tax, the recent trend seems to be towards undisclosed rental income and in particular rental from other jurisdictions such as Republic of Ireland. This is due to Tax Information Exchange Agreements between the UK and other countries which results in HMRC receiving information from other tax authorities on specific individuals and businesses.

While promoted disclosures provide an opportunity to rectify a tax position, it is preferable to make an unprompted disclosure by taking the initiative to approach HMRC voluntarily before the dreaded letter arrives in the post!

Opting for the unprompted disclosure route has a more favourable outcome and will save money as the penalties are less than those for a prompted disclosure.

A disclosure can be made via one of HMRC's digital disclosure facilities and is open to individuals, companies and trustees. The number of years disclosed will depend on why the mistake occurred and the nature of it. Sources of income that you can disclose includes, but is not limited to, dividends, bank interest, capital gains tax and income from property or land rental.

The table below shows the penalties for an 'unprompted' vs a 'prompted' disclosure.

Any disclosure, whether it is prompted or unprompted will bring your UK tax affairs up to date, giving you peace of mind and may reduce your chances of you being publicly named by HMRC if you are charged penalties for deliberate mistakes.

If you wish to discuss making a disclosure, please get in touch with a member of our Tax Team.

Type of behaviour	Unprompted disclosure	Prompted disclosure
Reasonable care	No penalty	No penalty
Careless	0% to 30%	15% to 30%
Deliberate	20% to 70%	35% to 70%
Deliberate and concealed	30% to 100%	50% to 100%