



The Liechtenstein Disclosure Facility

The Liechtenstein Disclosure Facility (LDF) offers the best terms available to individuals or companies under the current disclosure regime offered by HMRC. The LDF is suitable for those taxpayers with overseas bank accounts, investments or structures holding income and/or gains which should have been taxed in the UK.

Brief History

HMRC obtained data from the records of LGT Bank in Liechtenstein which indicated that significant amounts of UK tax could be due on assets held by UK taxpayers within Liechtenstein. HMRC entered in to ground breaking talks with the Liechtenstein government which paved the way forward for the LDF.

The LDF is underpinned by the fact that Liechtenstein government will, in due course, enforce this process by ensuring that all banks and fiduciary companies review their client portfolios to identify UK clients and then request evidence to demonstrate that the funds held by UK clients in Liechtenstein are fully UK compliant. If funds aren't compliant, or evidence to confirm compliance cannot be provided, the accounts will be closed.

Who can take advantage of the LDF?

Taxpayers (individuals, executors, beneficiaries, companies, and partnerships) who hold an interest in an asset in Liechtenstein either via a bank account, trust or corporate structure can take advantage of the LDF. Estates of deceased persons who have assets held offshore can also apply.

You do not need to have held assets in Liechtenstein to take advantage of the terms of the LDF. However you do have to have held an interest in an offshore asset (eg. a bank account) on 1st August 2009 and this asset must have been opened in an overseas jurisdiction. You will need to establish an asset (eg. a bank account) in Liechtenstein in order to take advantage of the LDF. We can introduce you to offshore contacts who can arrange for bank accounts or similar assets to be set up for you.

You cannot enter in to the terms of the LDF if the overseas bank account was opened via a UK branch or agency.

The main benefits of the LDF are:-

- Tax liabilities are limited to periods from April 1999 onwards only
- Tax penalties are set at 10% of the tax due (no penalty is applied for innocent error). Please see link to an explanation of the current HMRC penalty regime.
<http://www.lsg.co.uk/documents/hmrc.pdf>
- The ability for LSG to speak to HMRC on a "no names" basis to outline the facts of a potential disclosure
- HMRC guarantees immunity from prosecution for those making full and complete disclosures
- LDF participators will not be subject to PDD (the publishing of details of tax defaulters on HMRC website)
- Composite Rate Option (CRO) can be used to simplify how the tax liabilities are calculated and in certain circumstances can reduce IHT liabilities to nil.

How does the process work?

There are various phases to complete the process:-

- Register an intention to disclose
- Complete the Disclosure Report and supporting workings
- Submit the Disclosure Report to HMRC

-
- Obtain confirmation from HMRC that the disclosure is accepted and the matter closed.

We can undertake all of the above phases with you and provide more detail in respect of each phase as requested.

Single Point of Contact

HMRC have offered Single Points of Contacts (SPOC) to a limited number of firms to act as a liaison between the advisor and HMRC. LSG has a SPOC within HMRC's LDF team. This allows us ready access to decision makers which, in turn, allows us to advise our clients swiftly at a time when they are at their most worried. It also allows LSG to simplify the channels of communication with HMRC's LDF team and ensures consistency. This more streamlined dialogue with HMRC results in less correspondence and therefore reduced fees for the client.

Confidentiality

Experience has shown us that the confidentiality of discussions in respect of the LDF and whether it is suitable for the client, are of paramount importance at the early stages of considering whether to enter the LDF or not. At LSG, all discussions and advice benefit from 'legal professional privilege' and as such, are not disclosable to HMRC. In October 2009, the High Court confirmed that such protection is not provided to firms of tax advisors or accountants.

Why LSG?

The tax dispute resolution team at LSG have significant case experience of the LDF. Members of the team have been advising offshore wealth managers and their clients for over a decade in respect of HMRC and tax disputes.

We understand the differing tax treatments of various investment vehicles used (eg. Anstalts, Stiftungen and Treuhandchaftens) and how the offshore portfolios operate/differ between private banks and wealth management firms.

We have been approached by a number of offshore private banks to hold legally privileged meetings with their clients who may be considering whether the LDF is right for them. We have successfully acted for a considerable number of LDF participators, and continue to close LDF disclosure cases quickly, without challenge and cost efficiently for our clients.

Our professional rates are extremely competitive and are lower than a significant number of larger professional firms.

LSG (as a firm of solicitors) enjoys the protection of legal professional privilege. Firms of tax advisors and accountants do not.

How or where do I start?

You can contact either Frank Strachan or Sean Bannister for an initial confidential discussion. We would then like to meet with you for a zero fee meeting to explore the suitability of the LDF for you. Each case is different and exceptions to the LDF apply. Our aim is to provide a clear explanation of the LDF and how it operates, consider its suitability to your position and provide comfort to you that you are in safe hands.

Please telephone or email either Frank or Sean any time to discuss any concerns you have.

Frank Strachan – fs@lsg.co.uk – 020 7851 0120 – 07557 343234

Sean Bannister – sb@lsg.co.uk – 020 7851 0127 - 07872 311318