UK Proposals for Alternative reporting for non-doms

Scope

1. Any alternative reporting would only apply to those Specified Persons who are resident but not domiciled in the UK and who **make a claim to HMRC to be taxed on the remittance basis.**

Alternative reporting

2. All FATCA-type reporting would still be required except for the following adjustments:
   - The information **not required** to reported would be:
     - Account balance or value – as required under Article 2.2.a)(4)
     - Total gross amounts of interest, dividends, other income and gross proceeds paid into the relevant accounts – as required under Articles 2.2.a)(5)(A) and 2.2.a)(5)(B) and 2.2.a)(6) and 2.2.a)(7).
   - Instead, **the following information would need to be reported** with respect to all accounts the Specified Person holds or for accounts an entity holds where the Specified Person is a controlling person (regardless of the balance of the account):
     - All flows of funds/movement of assets both in and out of the UK (where it is unclear where the source or destination is then the amounts should be separately reported).
     - Where, under a FATCA type agreement, Jersey or Guernsey provide details of worldwide income/wealth on any UK Specified Person to any other jurisdiction then that information is reported to the UK (unless it has been already reported to HMRC).
3. This alternative information would need to be reported with respect to UK tax years (rather than calendar years as under FATCA). (The check to see whether an individual is a Specified Person could still take place at the end of the year.)
4. Mirroring the Swiss agreement, Jersey and Guernsey report information on the top 10 jurisdictions to which funds are flowing following the closure of accounts. These jurisdictions can be prioritised for future automatic exchange agreements, mitigating against capital flight.

Timing

5. Given the stated intention to promote FATCA-type agreements as an international standard, including as part of the G8 agenda, this variation would be a transitional one (it would switch off – as discussed at our recent meeting – once capital flight is less of an issue, I.e. when a critical mass, or when Switzerland, signs a FATCA agreement with the UK, or alternatively after a set period of time).

Certification process

6. Each reporting financial institution would, annually, need to obtain documentation supporting a claim for alternative reporting, maintain a record of who is subject to alternative reporting and report these details to HMRC.
7. The documentation would need to evidence that the Specified Person has made a claim to be taxed on the remittance basis. <u>We welcome your views on suitable evidence, including what checks would be appropriate to provide assurance the claim is a valid one and the audit function of the Jersey and Guernsey administrations.</u>
8. The documentary evidence used by the financial institutions to make decisions concerning the applicability of alternative reporting would be available to HMRC on request.
9. In any year where documentation is not received then the Specified Person in question must be reported on in accordance with standard reporting arrangements.
10. There are practical issues we would need to discuss in relation to timing for any certification: UK individuals have until 31 January following the end of each tax year to make their return and claim the remittance basis whereas FATCA information exchange takes place nine months from the end of the calendar year. This is 4 months in advance of the date that the UK resident is due to submit any claim to the remittance basis for the year.