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## **RE: OFFSHORE VOLUNTARY DISCLOSURE INITIATIVE**

We bring to your attention the Australian Taxation Office's ("ATO") attack on undeclared offshore assets and income through the offshore voluntary disclosure initiative (OVDI).

Under the OVDI, the ATO is providing taxpayers with the opportunity to make a voluntary disclosure in relation to their undeclared offshore income and pay reduced penalties and interest.

The OVDI is available to all taxpayers until 30 June 2010. Examples of unreported offshore income include a situation where a taxpayer has investments in offshore funds or bank accounts with income accumulating overseas, and they do not realise that income may be taxable in Australia.

### **No Names Basis Enquiries**

If you have omitted foreign income and would like to disclose the omitted offshore income but were concerned about the consequences of doing so, particularly the potential for criminal investigation, under the OVDI you can approach the ATO anonymously; and the ATO will indicate whether it would investigate their arrangements for any potential criminal law breaches.

In considering whether to investigate a matter, the ATO views favourably taxpayers who make a voluntary disclosure and cooperate with them or with law enforcement agencies.

We can assist in discussing these matters with the ATO on a no-names basis.

### **Reduced Penalties for Coming Forward**

If you take advantage of the OVDI and come forward to voluntarily disclose offshore income which results in additional taxable income, the reduced shortfall penalties are as follows:

- If the additional taxable income is \$20,000 or less in a tax year, you will not need to pay a shortfall penalty for that year, or
- If the additional taxable income exceeds \$20,000 in any tax year, the shortfall penalty will be remitted to 10% of the additional tax for that year.

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There will also be adjustments to the general interest charge (GIC) as follows:

- GIC will be reduced to nil for the tax years up to and including the 2002 tax year,
- GIC will be reduced to the base rate for the 2003 and 2004 tax years, and
- Shortfall interest charge applies for 2005 and later years at the normal rates.

If you have difficulties meeting payment obligations, the ATO will develop a payment plan taking their circumstances into consideration.

If you intentionally disregard the tax law and do not voluntarily disclose their offshore income, penalties can be up to 90% of the tax shortfall.

## **What Must You Do To Take Advantage of the OVDI?**

To qualify for this concessional treatment you need to submit a voluntary disclosure in writing on the Offshore Voluntary Disclosure Statement which is available from the ATO website.

We can assist with the preparation of these forms.

## **Increased ATO Audit Activity**

The ATO is increasing audit activities in cases where people may try to conceal income and assets offshore, particularly in low tax and bank secrecy jurisdictions. It is important for people to take early advantage of OVDI benefits as these benefits will not be available after notification of an audit.

The ATO has announced it is working closely with AUSTRAC, banks and other overseas tax jurisdictions to identify people with undeclared income, including those with highly complex and sophisticated arrangements.

Furthermore, the ATO is constantly expanding its ability to trace fund flows around the world and its capacity to identify Australians with income and assets hidden offshore.

Should you have any concerns about undeclared offshore income, please contact our office to address these issues further.

Yours sincerely

Steve Vlahos

