

What should you do now?

THE government amnesty is expected to net the Revenue billions of pounds from taxpayers who have failed to declare offshore income. Here we answer your questions.

How will the amnesty work?

Investors will have until June 22 to register an intention with Revenue & Customs to declare any tax owed. They will have five months to submit the disclosure and pay up.

You will still be penalised for failing to declare the income when you should have, but the maximum penalty will be capped at 10% of any tax owed. Normally fines can be up to 100%.

I have an overseas bank account. Do I need to worry?

If you are deemed to be resident in Britain (*see panel*) you should pay UK tax on all worldwide income and gains, including interest from offshore accounts. However, some people may be exempt if they are not domiciled here.

You have nothing to worry about if you have declared the bank interest you earn through your self-assessment form and paid any tax due.

If you receive a letter from your bank about the amnesty you can ignore it, although it is

THE RESIDENCE RULES

- British resident nationals are liable for UK tax on their worldwide income and gains.
- You must be non-resident for five tax years to escape UK capital-gains tax.
- You must be non-resident for three years to escape UK income tax – unless you accept a contract to work abroad for at least a full tax year.
- To become non-resident, you must spend no more than 90 days a year on average in the UK over four years, and less than 183 days in any tax year.
- The residence test is getting tougher because the Revenue now counts nights rather than days in the UK.

worth double-checking that you haven't made a mistake. If you have unpaid tax for the 2006-7 year, you still have time to declare it on the tax return due by January 31 next year.

You can also amend the return for 2005-6 until January 31. However, if you haven't paid tax in previous years you will have to take part in the amnesty and should seek professional advice quickly.

Should I be paying tax on my property abroad?

If it's a holiday home that you rent out for some of the year you will pay local taxes on any

letting income in the country where you own the property.

If you are resident in Britain, you must still include overseas income on your UK tax return. Where the overseas taxes are lower than their British equivalent you may have to make up the difference. In Spain you would pay income tax of up to 24%, which a top-rate taxpayer would have to make up to 40% in the UK.

You will also have to declare profits from the sale of your holiday home on your UK tax return and pay capital-gains tax at 40% above £9,200 if you are a higher-rate payer.

But you may qualify for a

discount if you have already paid foreign tax on the gains.

Once I have paid what I owe, will the Revenue leave me be?

Not necessarily. A declaration of income could trigger an inquiry into your tax affairs.

The Revenue may demand to know where the money in your offshore account first came from, for example.

If it arose from the sale of a property that you had failed to declare you may face a capital-gains tax bill.

You should keep all documents for at least six years in case you come into the Revenue's sights.

If the Revenue believes someone has been negligent or knowingly committed fraud, it can go back up to 20 years. If you are worried, seek professional advice.

I have been declaring income but think I have made a mistake. What should I do?

You should own up. Revenue rules say that you can amend your tax return going back up to six years.

You should register for the amnesty, although you might still have to pay a 10% penalty as well as any interest you owe, even though it was a genuine mistake.