

# Tax Update

# 2010

## Foreign Income Disclosures

*The Australian Taxation Office's ("ATO") advantageous Offshore Voluntary Disclosure Initiative will end on 30 June 2010*

On 14 April 2010, the ATO revealed that it had requested information from various financial institutions regarding Australian taxpayers with foreign accounts during the period 1 July 2005 to 30 June 2009. Such information will be matched by the ATO against its database to identify those taxpayers who have failed to comply with their Australian tax obligations.

The ATO's campaign will align Australia with the increasingly aggressive global approach to tax avoidance. The Australian government has recently executed information sharing agreements with many popular tax haven countries to assist in identifying non-complying taxpayers, and after 30 June 2010, such taxpayers will not be able to benefit from the ATO's generous Offshore Voluntary Disclosure Initiative ("OVDI").

The ATO's OVDI was established in 2007 to encourage Australian taxpayers to make disclosures regarding offshore activities. The program allows taxpayers to voluntarily report undisclosed foreign income, capital gains and over-claimed deductions from foreign transactions, and to obtain a reduced shortfall penalty. Under the OVDI, a voluntary disclosure which results in additional taxable income of \$20,000 or less does not attract a shortfall penalty. Where a taxpayer's additional taxable income exceeds \$20,000, the shortfall penalty is remitted to 10% of the additional tax in the relevant year.

Importantly, it is not illegal to hold offshore accounts or to invest overseas, provided Australian tax obligations are met. Taxpayers who have not complied with such obligations should consider taking advantage of the opportunity to disclose non-compliance under the OVDI. Those who fail to do so by 30 June 2010 will risk facing penalties of up to 90% (and much higher interest charges as a result) and a greater likelihood of criminal prosecution.



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