



TECHNICAL UPDATE

OFF-SHORE INCOME DISCLOSURE INITIATIVE REMINDER

FEDERAL TREASURER, JOE HOCKEY, SAYS THE EVASION OF TAX ON FOREIGN INCOME WILL BECOME HARDER AFTER THE G20 AGREED TO THE OECD'S BEPS ACTION PLAN. THE TREASURER ALSO REMINDED TAXPAYERS OF THE AUSTRALIAN TAXATION OFFICE'S PROJECT 'DO IT' (DISCLOSE OFFSHORE INCOME TODAY), WHICH IS STILL AVAILABLE UNTIL 19 DECEMBER 2014.

The Treasurer, Joe Hockey, issued a media release on Saturday 20 September 2014, which confirms Australia and the other G20 Nations intend to tackle profit shifting and tax evasion by endorsing the OECD's 15 point Base Erosion and Profit Shifting (BEPS) action plan. This action plan includes support for greater tax transparency and information exchange which will make international tax evasion much more difficult. The Treasurer also encouraged Australian residents to take advantage of the Australian Taxation Office's Project DO IT if they have any unreported offshore income.

As we highlighted in our previous [Technical Update](#) on this topic, Project DO IT is a big opportunity for many taxpayers with potential Australian tax problems involving offshore income to have these problems solved at a reasonable cost.

Project Do IT is a once in a lifetime opportunity for taxpayers with undeclared offshore income, profits or gains derived in a foreign jurisdiction to put their offshore tax affairs in order, and come back into the Australian tax system without fear of draconian financial and non financial penalties. However, Project DO IT finishes on 19 December 2014.

Generally, taxpayers will only have to pay the tax owing plus interest, on the undeclared income or gain for the past four years, with the penalty capped to 10% of the tax shortfall.

Increased international cooperation between tax authorities and improved technology has given the Australian Taxation Office increased ability to identify undisclosed offshore income and gains. Taxpayers with undisclosed foreign income who don't take up the Project DO IT opportunity are increasingly likely to be identified by the Australasian Taxation Office.

SECTOR

Tax

CONTACT

MARCUS LEONARD

National Leader, Tax
Tel: +61 2 9240 9771
marcus.leonard@bdo.com.au

LISA PRITCHARD

Partner, Adelaide
Tel: +61 8 7421 1418
lisa.pritchard@bdo.com.au

MARK MOLESWORTH

Partner, Brisbane
Tel: +61 7 3237 5999
mark.molesworth@bdo.com.au

ERIC OLUFSON

Partner, Cairns
Tel: +61 7 4046 0000
eric.olufson@bdo.com.au

MAL SCIACCA

Partner, Darwin
Tel: +61 8 8981 7066
mal.sciacca@bdo.com.au

BRETT SKIRVING

Partner, Hobart
Tel: +61 3 6234 2499
brett.skirving@bdo.com.au

DAVID BLAKE

Partner, Melbourne
Tel: +61 3 9603 1709
david.blake@bdo.com.au

JAMES MASSIE-TAYLOR

Partner, Perth
Tel: +61 8 6382 4600
james.massie-taylor@bdo.com.au

Examples of arrangements that may have resulted in undisclosed off-shore income or gains include:

- Taxpayers with bank accounts established overseas
- Taxpayers who have moved to Australia and failed to disclose income from property and other assets they continue to hold overseas
- Taxpayers who have inherited offshore arrangements originally established by parents or other relatives
- Taxpayers who have established investment entities overseas and failed to disclose the income from these entities
- Taxpayers who have incorrectly claimed deductions for offshore arrangements.

BDO Comment

BDO supports the voluntary disclosure initiative and if you think you or your clients may benefit from this opportunity, you need to act now to get the documentation ready before 19 December 2014. BDO has tax risk resolution specialists who regularly deal with these disclosures including BDO Tax Partner Carlo Moretti from our Sydney office, who was one of the of the seven trusted advisers to the 'Project DO IT Steering Committee'.

We encourage taxpayers who have undeclared offshore income to contact us to discuss the disclosure process including eligibility, review of financial information, determination of potential tax shortfalls, penalties, preparation and Lodgement of disclosure forms and negotiation and settlement with the Tax Office if required.

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