Proposed offence for reckless untrue statements: CIOT, ATT and LITRG responses

Management of taxes

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The CIOT, LITRG and ATT have responded to a consultation on ‘Introducing a criminal offence for making reckless untrue statements or declarations in direct tax’. The consultation seeks views on proposals to introduce a criminal offence for making reckless untrue statements or declarations in relation to direct tax matters, thus aligning the legal framework with existing offences in indirect tax.

CIOT’s response

The CIOT does not support the proposed offence in its current form. Although we generally favour aligning the direct and indirect tax regimes where this reduces complexity, we consider that the case for extending criminal liability has not been made: the evidence base and intended scope and safeguards are unclear. In

addition, the proposal risks lowering the threshold for prosecution where dishonesty cannot be proved.

Direct tax frequently involves complex judgments on uncertain law, valuations and reliefs, so compliant taxpayers and advisers must be able to understand clearly which conduct could attract criminal liability. We are also concerned that the measure could undermine trust, voluntary compliance and legal certainty, while adding burdens for responsible advisers.

Any further proposal should demonstrate a clear gap in existing civil and criminal powers, explain how the offence would interact with existing regimes, and include robust legislative safeguards to ensure that only genuinely culpable behaviour is targeted.

The CIOT's full response can be found at: www.tax.org.uk/ref1719.

LITRG's response

LITRG, an initiative of the CIOT, also does not support the introduction of this offence in its proposed form. One of the main arguments advanced by HMRC in favour of the proposal is that it would address an inconsistency between indirect and direct tax offences. We think there needs to be further consideration of why that inconsistency exists, and whether it needs to be addressed, before pursuing this proposal.

One of our key concerns is that the consultation does not make clear how HMRC will distinguish between civil cases of failure to take reasonable care (carelessness) and criminal cases of recklessness.

If HMRC proceed with this measure, we make a number of recommendations aimed at ensuring that the offence applies only to the behaviour it is intended to target. We also feel there is a strong argument that the test for criminal prosecution should remain restricted to those who have, beyond all reasonable doubt, acted dishonestly.

The full response is on the LITRG website at: www.litrg.org.uk/11268.

ATT's response

The ATT's response made it clear that we support legislative alignment between direct and indirect taxes where there is a demonstrable benefit to taxpayers, advisers and HMRC.

However, we do not support the introduction of a new criminal offence for making reckless untrue statements or declarations in relation to direct taxes.

The ATT's view is that the consultation has not established that the existing framework of civil penalties and criminal offences was insufficient to address the behaviours concerned. Rather than filling a genuine gap in HMRC's enforcement powers, the proposal risks creating unnecessary overlap with the existing civil penalties regime and lowering the threshold for criminal liability. It could introduce criminal sanctions in circumstances where dishonesty was neither alleged nor capable of being established.

The ATT's full response found at: tinyurl.com/34vykbvt.

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